

**TOWN OF WINCHESTER, MASSACHUSETTS**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**



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**TOWN OF WINCHESTER, MASSACHUSETTS  
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YEAR ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

Honorable Select Board  
Town of Winchester, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of and for the year ended June 30, 2019 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2018), and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Select Board  
Town of Winchester, Massachusetts

**Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of June 30, 2019 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2018), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund budgetary comparison and certain pension and other postemployment benefits information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 on our consideration of the Town of Winchester, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Winchester, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 19, 2019

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

As management of the Town of Winchester, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2019.

***Financial Highlights***

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$92,519,796 (net position).
- The Town's total net position decreased \$25,837,563.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$14,428,624, or 11.1% of total general fund expenditures and transfers out.
- The Town's total outstanding bonded debt decreased by \$8,999,902 during the fiscal year. The Town retired \$8,793,813 of existing debt during the fiscal year and had a net decrease of \$206,089 of unamortized bond premiums.

***Overview of the Basic Financial Statements***

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements, consisting of the following:

1. General Fund – schedule of revenues, expenditures and changes in fund balance – non-GAAP budgetary basis - budget and actual
2. Other postemployment benefits schedule
3. Pension plan schedules

Government-wide financial statements

The government-wide and enterprise fund financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets, liabilities and deferred inflows/outflows with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's Water & Sewer Enterprise Fund activities and Recreation Enterprise Fund activities.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

**Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains over 300 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and School Construction (capital projects) Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The governmental funds basic financial statements can be found on pages 15-18 of this report.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Proprietary funds**

The Town maintains one type of proprietary fund representing the Town's enterprise funds.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water & Sewer activities and Recreation activities.

The proprietary funds basic financial statements can be found on pages 19-21 of this report.

**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide information for the Town's Pension and Other Postemployment Benefits (OPEB) Trust Funds. Private-Purpose Trust Funds and Agency Funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "Private Purpose Trust Funds" and "Agency Funds", respectively.

The fiduciary funds basic financial statements can be found on pages 22-23 of this report.

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24-65 of this report.

**Required supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the General Fund schedule of revenues, expenditures and changes in fund balance (budget and actual) and certain pension and other postemployment benefits information, which can be found on pages 67-75.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Government-Wide Financial Analysis**

The following tables present current and prior year data on the government-wide financial statements.

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position was \$92,519,796 at the close of the fiscal year and is summarized as follows:

|   | <i>Governmental Activities</i> |                       | <i>Business-Type Activities</i> |                      | <i>Total</i>         |                       |
|---|--------------------------------|-----------------------|---------------------------------|----------------------|----------------------|-----------------------|
|   | 2019                           | 2018                  | 2019                            | 2018                 | 2019                 | 2018                  |
| <b>Assets</b>                                       |                                |                       |                                 |                      |                      |                       |
| Current assets.....                                 | \$ 39,248,775                  | \$ 41,304,956         | \$ 6,637,930                    | \$ 7,966,107         | \$ 45,886,705        | \$ 49,271,063         |
| Noncurrent assets<br>excluding capital assets)..... | 7,425,049                      | 10,552,228            | -                               | -                    | 7,425,049            | 10,552,228            |
| Capital assets (net).....                           | <u>309,567,639</u>             | <u>310,824,121</u>    | <u>20,631,317</u>               | <u>20,513,363</u>    | <u>330,198,956</u>   | <u>331,337,484</u>    |
| Total assets.....                                   | <u>356,241,463</u>             | <u>362,681,305</u>    | <u>27,269,247</u>               | <u>28,479,470</u>    | <u>383,510,710</u>   | <u>391,160,775</u>    |
| <b>Deferred outflows of resources.....</b>          | <u>23,311,656</u>              | <u>5,826,249</u>      | <u>681,739</u>                  | <u>137,940</u>       | <u>23,993,395</u>    | <u>5,964,189</u>      |
| <b>Liabilities</b>                                  |                                |                       |                                 |                      |                      |                       |
| Current liabilities<br>(excluding debt).....        | 3,217,915                      | 4,655,702             | 267,025                         | 380,630              | 3,484,940            | 5,036,332             |
| Noncurrent liabilities<br>(excluding debt).....     | 157,764,010                    | 107,257,951           | 4,374,942                       | 4,340,874            | 162,138,952          | 111,598,825           |
| Current debt.....                                   | 11,830,000                     | 11,944,566            | 992,650                         | 1,574,247            | 12,822,650           | 13,518,813            |
| Noncurrent debt.....                                | <u>128,158,686</u>             | <u>135,974,775</u>    | <u>5,818,697</u>                | <u>6,811,347</u>     | <u>133,977,383</u>   | <u>142,786,122</u>    |
| Total liabilities.....                              | <u>300,970,611</u>             | <u>259,832,994</u>    | <u>11,453,314</u>               | <u>13,107,098</u>    | <u>312,423,925</u>   | <u>272,940,092</u>    |
| <b>Deferred inflows of resources.....</b>           | <u>2,461,058</u>               | <u>5,566,445</u>      | <u>99,326</u>                   | <u>261,068</u>       | <u>2,560,384</u>     | <u>5,827,513</u>      |
| <b>Net Position</b>                                 |                                |                       |                                 |                      |                      |                       |
| Net investment in capital assets.....               | 174,371,623                    | 171,154,360           | 15,855,722                      | 14,928,851           | 190,227,345          | 186,083,211           |
| Restricted.....                                     | 12,232,639                     | 14,567,995            | -                               | -                    | 12,232,639           | 14,567,995            |
| Unrestricted.....                                   | <u>(110,482,812)</u>           | <u>(82,614,240)</u>   | <u>542,624</u>                  | <u>320,393</u>       | <u>(109,940,188)</u> | <u>(82,293,847)</u>   |
| Total net position.....                             | <u>\$ 76,121,450</u>           | <u>\$ 103,108,115</u> | <u>\$ 16,398,346</u>            | <u>\$ 15,249,244</u> | <u>\$ 92,519,796</u> | <u>\$ 118,357,359</u> |

The largest portion of the Town's net position reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position in the business-type activities of \$542,624 consists of \$1,211,103 that may be used to meet the Town's on-going obligations to citizens and creditors for the Town's Water & Sewer Enterprise Fund activities, along with a deficit of \$668,479 in the Recreation Enterprise Fund. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and total other postemployment benefits liabilities.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

Changes in Net position

For the fiscal year ended June 30, 2019, the Town's total net position decreased \$25,837,563, compared to an increase of \$3,653,171 in the prior fiscal year. These amounts are summarized as follows:

|  | <i>Governmental Activities</i> |                       | <i>Business-Type Activities</i> |                      | <i>Total</i>         |                       |
|--|--------------------------------|-----------------------|---------------------------------|----------------------|----------------------|-----------------------|
|  | 2019                           | 2018                  | 2019                            | 2018                 | 2019                 | 2018                  |
| <b>Revenues</b>  |                                |                       |                                 |                      |                      |                       |
| <i>Program Revenues:</i>   |                                |                       |                                 |                      |                      |                       |
| Charges for services.....  | \$ 9,109,636                   | \$ 9,193,433          | \$ 7,880,503                    | \$ 7,553,155         | \$ 16,990,139        | \$ 16,746,588         |
| Operating grants and contributions.....                              | 25,478,157                     | 24,831,492            | 90,535                          | 46,532               | 25,568,692           | 24,878,024            |
| Capital grants and contributions.....                                | 563,793                        | 987,505               | 425,000                         | 485,925              | 988,793              | 1,473,430             |
| <i>General Revenues:</i>   |                                |                       |                                 |                      |                      |                       |
| Real estate and personal property taxes.....                         | 92,051,905                     | 88,689,551            | -                               | -                    | 92,051,905           | 88,689,551            |
| Motor vehicle and other excise taxes.....                            | 4,173,759                      | 4,022,522             | -                               | -                    | 4,173,759            | 4,022,522             |
| Penalties and interest on taxes.....                                 | 222,997                        | 306,584               | -                               | -                    | 222,997              | 306,584               |
| Payments in lieu of taxes.....                                       | 34,667                         | 50,967                | -                               | -                    | 34,667               | 50,967                |
| Grants and contributions not restricted<br>to specific programs..... | 2,854,630                      | 1,941,575             | -                               | -                    | 2,854,630            | 1,941,575             |
| Unrestricted investment income.....                                  | 668,407                        | 363,968               | -                               | -                    | 668,407              | 363,968               |
| <b>Total revenues.....</b>   | <b>135,157,951</b>             | <b>130,387,597</b>    | <b>8,396,038</b>                | <b>8,085,612</b>     | <b>143,553,989</b>   | <b>138,473,209</b>    |
| <b>Expenses</b>  |                                |                       |                                 |                      |                      |                       |
| General government.....  | 11,931,763                     | 9,234,472             | -                               | -                    | 11,931,763           | 9,234,472             |
| Public safety.....   | 20,484,231                     | 14,544,764            | -                               | -                    | 20,484,231           | 14,544,764            |
| Education.....   | 101,071,621                    | 77,276,622            | -                               | -                    | 101,071,621          | 77,276,622            |
| Public works.....  | 14,726,263                     | 11,741,944            | -                               | -                    | 14,726,263           | 11,741,944            |
| Health and human services.....                                       | 2,263,217                      | 1,521,865             | -                               | -                    | 2,263,217            | 1,521,865             |
| Culture and recreation.....  | 3,588,260                      | 2,894,815             | -                               | -                    | 3,588,260            | 2,894,815             |
| Debt service - interest.....   | 4,085,565                      | 5,713,379             | -                               | -                    | 4,085,565            | 5,713,379             |
| Water & Sewer.....   | -                              | -                     | 9,441,079                       | 9,909,721            | 9,441,079            | 9,909,721             |
| Recreation.....  | -                              | -                     | 1,799,553                       | 1,982,456            | 1,799,553            | 1,982,456             |
| <b>Total expenses.....</b>   | <b>158,150,920</b>             | <b>122,927,861</b>    | <b>11,240,632</b>               | <b>11,892,177</b>    | <b>169,391,552</b>   | <b>134,820,038</b>    |
| Change in net assets before transfers.....                           | (22,992,969)                   | 7,459,736             | (2,844,594)                     | (3,806,565)          | (25,837,563)         | 3,653,171             |
| Transfers, net.....  | (3,993,696)                    | (4,056,400)           | 3,993,696                       | 4,056,400            | -                    | -                     |
| <b>Change in net position.....</b>                                   | <b>(26,986,665)</b>            | <b>3,403,336</b>      | <b>1,149,102</b>                | <b>249,835</b>       | <b>(25,837,563)</b>  | <b>3,653,171</b>      |
| Net position - beginning of year.....                                | 103,108,115                    | 99,704,779            | 15,249,244                      | 14,999,409           | 118,357,359          | 114,704,188           |
| <b>Net position - end of year.....</b>                               | <b>\$ 76,121,450</b>           | <b>\$ 103,108,115</b> | <b>\$ 16,398,346</b>            | <b>\$ 15,249,244</b> | <b>\$ 92,519,796</b> | <b>\$ 118,357,359</b> |

Governmental activities decreased the Town's net position by \$26,986,665. In the prior year, governmental activities increased the Town's net position by \$3,403,336. The key element of this change is an increase in the net pension and net OPEB liabilities.

Business-type activities increased the Town's net position by \$1,149,102. In the prior year, business-type activities increased the Town's net position by \$249,835. The key elements of this change are due to increases in water & sewer rates and consumption as well as enrollment increases in the recreation programs, specifically in the before/after school and other youth programs.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

***Fund Financial Statement Analysis***

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$37,562,584, a decrease of \$4,447,699 in comparison with the prior year. \$14,275,780 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$2,685,572
- Restricted - \$11,371,718
- Committed - \$7,534,056
- Assigned - \$1,695,458

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund totaled \$14,428,624, while total fund balance was \$23,713,084. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents 11.1% of total General Fund expenditures and transfers out, while total fund balance represents 18.2% of that same amount.

The fund balance of the Town's General Fund decreased \$1,904,828 during fiscal year 2019. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$7,346,000; and used approximately \$3,040,000 of reserves (excluding prior year encumbrances and continuing appropriations) to fund the fiscal year 2019 budget.

Financial highlights of the Town's other major governmental fund is as follows:

The School Construction Fund (capital projects) consists of construction projects for the High School (essentially completed in early fiscal year 2018) and the McCall Middle School Phase I and Phase II. Fund balance decreased \$2,284,609 during the current fiscal year. The fund recognized \$80,000 of transfers from other funds. Expenditures totaled \$2,364,609.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water & Sewer Enterprise Fund at the end of the year amounted to \$1,211,103. The Water & Sewer Enterprise Fund had an increase in net position for the year of \$680,925. Unrestricted net position of the Recreation Enterprise Fund at the end of the year amounted to a deficit of \$668,479. The Recreation Enterprise Fund had an increase in net position for the year of \$468,177. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

General Fund Budgetary Highlights

The original General Fund budgeted expenditures (including transfers out) totaled \$119,468,873. During the year, supplemental appropriations totaling \$2,530,961 were authorized. The following table summarizes the increase:

| Purpose of Increase             | Amount                         | Funding Source                       |
|---------------------------------|--------------------------------|--------------------------------------|
| Capital articles.....           | \$ 1,577,500                   | Unassigned fund balance/transfers in |
| Various budget supplements..... | 724,619                        | Unassigned fund balance/transfers in |
| Snow and ice.....               | <u>228,842</u>                 | Unassigned fund balance              |
| <br>Total increase.....         | <br>\$ <u><u>2,530,961</u></u> |                                      |

During the year, revenues exceeded budgetary estimates and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance totaling approximately \$3,460,000. Encumbrances and continuing appropriations total \$3,885,529 at year-end.

**Capital Assets and Debt Administration**

Capital assets

The Town's capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$330,198,956 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total net decrease in capital assets for the current fiscal year was \$1,138,528.

Major capital asset events that occurred during the current fiscal year include the following:

- McCall School construction in progress (approximately \$2,023,000)
- Skillings Field construction in progress (approximately \$640,000)
- Governmental and Water & Sewer Enterprise Fund infrastructure improvements (approximately \$1,140,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

|                                 | <i>Governmental Activities</i> |                       | <i>Business-Type Activities</i> |                      | <i>Total</i>          |                       |
|---------------------------------|--------------------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
|                                 | 2019                           | 2018                  | 2019                            | 2018                 | 2019                  | 2018                  |
| Land.....                       | \$ 64,731,516                  | \$ 64,731,516         | \$ -                            | \$ -                 | \$ 64,731,516         | \$ 64,731,516         |
| Land improvements.....          | 13,292,584                     | 6,917,721             | 1,033,281                       | 1,115,284            | 14,325,865            | 8,033,005             |
| Buildings and improvements..... | 211,053,269                    | 88,152,349            | 4,061,636                       | 4,212,484            | 215,114,905           | 92,364,833            |
| Machinery and equipment.....    | 1,839,730                      | 1,748,655             | 508,400                         | 344,935              | 2,348,130             | 2,093,590             |
| Vehicles.....                   | 1,237,156                      | 1,167,116             | 108,632                         | 136,417              | 1,345,788             | 1,303,533             |
| Infrastructure.....             | 13,446,102                     | 11,161,209            | 13,654,246                      | 14,058,261           | 27,100,348            | 25,219,470            |
| Construction in progress.....   | <u>3,967,282</u>               | <u>136,945,555</u>    | <u>1,265,122</u>                | <u>645,982</u>       | <u>5,232,404</u>      | <u>137,591,537</u>    |
| Total capital assets.....       | <u>\$ 309,567,639</u>          | <u>\$ 310,824,121</u> | <u>\$ 20,631,317</u>            | <u>\$ 20,513,363</u> | <u>\$ 330,198,956</u> | <u>\$ 331,337,484</u> |

Additional information on the Town's capital assets can be found in Note 5 of this report.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$142,580,033, which is backed by the full faith and credit of the Town, and is summarized as follows:

|                               | <i>Governmental Activities</i> |                       | <i>Business-Type Activities</i> |                     | <i>Total</i>          |                       |
|-------------------------------|--------------------------------|-----------------------|---------------------------------|---------------------|-----------------------|-----------------------|
|                               | 2019                           | 2018                  | 2019                            | 2018                | 2019                  | 2018                  |
| General obligation bonds..... | \$ 135,768,686                 | \$ 143,615,335        | \$ 5,160,000                    | \$ 5,994,440        | \$ 140,928,686        | \$ 149,609,775        |
| MWRA notes.....               | -                              | -                     | 1,651,347                       | 1,966,154           | 1,651,347             | 1,966,154             |
| MCWT notes.....               | -                              | 4,006                 | -                               | -                   | -                     | 4,006                 |
| Total bonds and notes.....    | <u>\$ 135,768,686</u>          | <u>\$ 143,619,341</u> | <u>\$ 6,811,347</u>             | <u>\$ 7,960,594</u> | <u>\$ 142,580,033</u> | <u>\$ 151,579,935</u> |

The Town's total outstanding bonded debt decreased by \$8,999,902 during the fiscal year. The Town retired \$8,793,813 of existing debt during the fiscal year and had a net decrease of \$206,089 of unamortized bond premiums.

The Town's most recent bond ratings from Moody's Investors Services was Aaa.

Additional information on the Town's long-term debt can be found in Notes 8 and 9 of this report.

***Economic Factors and Next Year's Budgets and Rates***

The Annual Spring Town Meeting held this past spring approved the fiscal year 2020 Operating Budget of approximately \$135,200,000 which includes the appropriations of the General Fund, appropriations to the Special Article Fund, Building Stabilization Fund, Capital Stabilization Fund, Other Funds and the appropriation to and for the Water & Sewer and Recreation Enterprise Funds. Also included in the total appropriations is a transfer from the General Fund to the OPEB Trust Fund in the amount of \$350,000, bringing the OPEB Trust Fund balance to approximately \$3,690,000.

The provisions of Proposition 2<sup>1/2</sup> limit the growth of the Town's major source of revenue, property taxes, to an annual increase of 2<sup>1/2</sup> plus a factor for the new construction, unless the voters at an election approve an increase for operating expenses or debt service for a specific project. The Town voters approved a fiscal year 2020 override of \$10,000,000, of which \$8,000,000 was for general operations, \$1,600,000 was dedicated to the Capital Stabilization Fund and \$400,000 was dedicated to the Building Stabilization Fund. It is expected that in fiscal year 2020, the revenue collected from taxes, including debt exclusions, will amount to approximately \$101,275,000.

Total fiscal year 2019 General Fund budgetary basis revenue and other financing sources (transfers in and premiums from issuance of bonds) was \$120,888,108. Property taxes accounted for 75.96%, Motor Vehicle Excise 3.39% and Intergovernmental 9.53% of total General Fund revenue and other financing sources. In fiscal year 2020, State revenue is expected to increase compared to fiscal year 2019. General Fund State reimbursements related to School construction will be \$672,082.

Total fiscal year 2019 General Fund budgetary basis expenditures (including encumbrances and continued appropriations) and transfers to other funds amount to \$123,978,587.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The Town continues to have substantial balances in its Stabilization Funds. The balances at June 30, 2019 in these funds are as follows:

- General/Capital Stabilization Fund - \$4,462,153
- Building Stabilization Fund - \$2,804,930
- Capital Stabilization Fund - \$2,171,425

As noted above, the Town voted to pass an override that dedicated additional funds to be transferred to the Building Stabilization Fund (\$400,000) and to the Capital Stabilization Fund (\$1,600,000). These amounts will be increased by 2 ½ % as part of the levy growth each year.

***Requests for Information***

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Comptroller, 71 Mount Vernon Street, Winchester, Massachusetts 01890.

**TOWN OF WINCHESTER, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

|  | Primary Government         |                             |                      |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS</b>  |                            |                             |                      |
| Current Assets:  |                            |                             |                      |
| Cash and Cash Equivalents                                | \$ 18,596,459              | \$ 2,599,540                | \$ 21,195,999        |
| Restricted Cash and Cash Equivalents                     | 9,998,010                  | 2,035,752                   | 12,033,762           |
| Investments  | 5,097,671                  | -                           | 5,097,671            |
| Receivables, Net of Allowance for Uncollectible Amounts: |                            |                             |                      |
| Real Estate and Personal Property Taxes                  | 1,028,453                  | -                           | 1,028,453            |
| Tax and Utility Liens                                    | 696,618                    | 14,960                      | 711,578              |
| Motor Vehicle and Other Excise Taxes                     | 250,809                    | -                           | 250,809              |
| User Charges   | -                          | 1,987,678                   | 1,987,678            |
| Department and Other                                     | 429,964                    | -                           | 429,964              |
| Intergovernmental  | 3,150,791                  | -                           | 3,150,791            |
| Total Current Assets                                     | <u>39,248,775</u>          | <u>6,637,930</u>            | <u>45,886,705</u>    |
| Noncurrent Assets:                                       |                            |                             |                      |
| Restricted Cash and Cash Equivalents                     | 540,233                    | -                           | 540,233              |
| Restricted Investments                                   | 5,876,381                  | -                           | 5,876,381            |
| Receivables, Net of Allowance for Uncollectible Amounts: |                            |                             |                      |
| Real Estate Tax Deferrals                                | 562,369                    | -                           | 562,369              |
| Intergovernmental  | 432,463                    | -                           | 432,463              |
| Tax Foreclosures   | 13,603                     | -                           | 13,603               |
| Capital Assets not being Depreciated                     | 68,698,798                 | 1,265,122                   | 69,963,920           |
| Capital Assets, Net of Accumulated Depreciation          | <u>240,868,841</u>         | <u>19,366,195</u>           | <u>260,235,036</u>   |
| Total Noncurrent Assets                                  | <u>316,992,688</u>         | <u>20,631,317</u>           | <u>337,624,005</u>   |
| Total Assets   | <u>356,241,463</u>         | <u>27,269,247</u>           | <u>383,510,710</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                            |                             |                      |
| Related to Pensions                                      | 10,336,804                 | 370,844                     | 10,707,648           |
| Related to OPEB  | <u>12,974,852</u>          | <u>310,895</u>              | <u>13,285,747</u>    |
| Total Deferred Outflows of Resources                     | 23,311,656                 | 681,739                     | 23,993,395           |
| <b>LIABILITIES</b>                                       |                            |                             |                      |
| Current Liabilities:                                     |                            |                             |                      |
| Warrants Payable   | 441,248                    | 139,046                     | 580,294              |
| Accrued Payroll  | 536,188                    | 76,695                      | 612,883              |
| Tax Refunds Payable                                      | 59,515                     | -                           | 59,515               |
| Other Liabilities  | 234,986                    | -                           | 234,986              |
| Accrued Interest   | 1,695,032                  | 46,153                      | 1,741,185            |
| Workers' Compensation Claims                             | 92,468                     | -                           | 92,468               |
| Compensated Absences                                     | 158,478                    | 5,131                       | 163,609              |
| Short-Term Notes Payable                                 | 4,220,000                  | -                           | 4,220,000            |
| Long-Term Bonds and Notes Payable                        | <u>7,610,000</u>           | <u>992,650</u>              | <u>8,602,650</u>     |
| Total Current Liabilities                                | 15,047,915                 | 1,259,675                   | 16,307,590           |
| Noncurrent Liabilities:                                  |                            |                             |                      |
| Workers' Compensation Claims                             | 30,823                     | -                           | 30,823               |
| Compensated Absences                                     | 1,426,299                  | 46,176                      | 1,472,475            |
| Net Pension Liability                                    | 33,882,117                 | 1,395,303                   | 35,277,420           |
| Net OPEB Liability                                       | 122,424,771                | 2,933,463                   | 125,358,234          |
| Long-Term Bonds and Notes Payable                        | <u>128,158,686</u>         | <u>5,818,697</u>            | <u>133,977,383</u>   |
| Total Noncurrent Liabilities                             | <u>285,922,696</u>         | <u>10,193,639</u>           | <u>296,116,335</u>   |
| Total Liabilities  | 300,970,611                | 11,453,314                  | 312,423,925          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                            |                             |                      |
| Related to Pensions                                      | 2,410,650                  | 98,118                      | 2,508,768            |
| Related to OPEB  | <u>50,408</u>              | <u>1,208</u>                | <u>51,616</u>        |
| Total Deferred Inflows of Resources                      | 2,461,058                  | 99,326                      | 2,560,384            |
| <b>NET POSITION</b>                                      |                            |                             |                      |
| Net Investment in Capital Assets                         | 174,371,623                | 15,855,722                  | 190,227,345          |
| Restricted for:  |                            |                             |                      |
| Debt Service   | 54,946                     | -                           | 54,946               |
| Permanent Funds:   |                            |                             |                      |
| Expendable   | 3,987,455                  | -                           | 3,987,455            |
| Nonexpendable  | 2,685,572                  | -                           | 2,685,572            |
| Other Specific Purposes                                  | 5,504,666                  | -                           | 5,504,666            |
| Unrestricted   | <u>(110,482,812)</u>       | <u>542,624</u>              | <u>(109,940,188)</u> |
| Total Net Position                                       | <u>\$ 76,121,450</u>       | <u>\$ 16,398,346</u>        | <u>\$ 92,519,796</u> |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

| Functions/Programs             | Expenses              | Program Revenues        |  |  | Net<br>(Expense)/<br>Revenue |
|--------------------------------|-----------------------|-------------------------|--|--|------------------------------|
|                                |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                              |
| <b>Primary Government:</b>     |                       |                         |  |  |                              |
| Governmental Activities:       |                       |                         |  |  |                              |
| General Government             | \$ 11,931,763         | \$ 828,862              | \$ 162,370                               | \$ -                                   | \$ (10,940,531)              |
| Public Safety                  | 20,484,231            | 3,463,125               | 103,495                                  | -                                      | (16,917,611)                 |
| Education                      | 101,071,621           | 2,861,394               | 24,044,412                               | -                                      | (74,165,815)                 |
| Public Works                   | 14,726,263            | 1,803,236               | 496,543                                  | 563,793                                | (11,862,691)                 |
| Health and Human Services      | 2,263,217             | 123,096                 | 178,801                                  | -                                      | (1,961,320)                  |
| Culture and Recreation         | 3,588,260             | 29,923                  | 252,917                                  | -                                      | (3,305,420)                  |
| Debt Service-Interest          | 4,085,565             | -                       | 239,619                                  | -                                      | (3,845,946)                  |
| Total Governmental Activities  | 158,150,920           | 9,109,636               | 25,478,157                               | 563,793                                | (122,999,334)                |
| Business-Type Activities:      |                       |                         |  |  |                              |
| Water & Sewer                  | 9,441,079             | 5,692,205               | 85,990                                   | 425,000                                | (3,237,884)                  |
| Recreation                     | 1,799,553             | 2,188,298               | 4,545                                    | -                                      | 393,290                      |
| Total Business-Type Activities | 11,240,632            | 7,880,503               | 90,535                                   | 425,000                                | (2,844,594)                  |
| Total Primary Government       | <u>\$ 169,391,552</u> | <u>\$ 16,990,139</u>    | <u>\$ 25,568,692</u>                     | <u>\$ 988,793</u>                      | <u>\$ (125,843,928)</u>      |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>CHANGES IN NET POSITION</b>                                  |                            |                             |                      |
| Net (Expense) Revenue (From Previous Page)                      | \$ (122,999,334)           | \$ (2,844,594)              | \$ (125,843,928)     |
| General Revenues:   |                            |                             |                      |
| Real Estate and Personal Property Taxes                         | 92,051,905                 | -                           | 92,051,905           |
| Motor Vehicle and Other Excise Taxes                            | 4,173,759                  | -                           | 4,173,759            |
| Penalties and Interest on Taxes                                 | 222,997                    | -                           | 222,997              |
| Payments in Lieu of Taxes                                       | 34,667                     | -                           | 34,667               |
| Grants and Contributions not Restricted to<br>Specific Programs | 2,854,630                  | -                           | 2,854,630            |
| Unrestricted Investment Income                                  | 668,407                    | -                           | 668,407              |
| Transfers, Net  | (3,993,696)                | 3,993,696                   | -                    |
| Total General Revenues and Transfers                            | 96,012,669                 | 3,993,696                   | 100,006,365          |
| <b>CHANGE IN NET POSITION</b>                                   | (26,986,665)               | 1,149,102                   | (25,837,563)         |
| Net Position - Beginning of Year                                | 103,108,115                | 15,249,244                  | 118,357,359          |
| <b>NET POSITION - END OF YEAR</b>                               | <u>\$ 76,121,450</u>       | <u>\$ 16,398,346</u>        | <u>\$ 92,519,796</u> |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

| <b>ASSETS</b>   | General              | School<br>Construction | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|------------------------|-----------------------------------|--------------------------------|
| Cash and Cash Equivalents   | \$ 18,596,459        | \$ -                   | \$ -                              | \$ 18,596,459                  |
| Investments   | 5,097,671            | -                      | -                                 | 5,097,671                      |
| Receivables, Net of Allowance for Uncollectible Amounts:                    |                      |                        |                                   |                                |
| Real Estate and Personal Property Taxes                                     | 1,028,453            | -                      | -                                 | 1,028,453                      |
| Real Estate Tax Deferrals   | 562,369              | -                      | -                                 | 562,369                        |
| Tax Liens   | 696,618              | -                      | -                                 | 696,618                        |
| Motor Vehicle and Other Excise Taxes  | 250,809              | -                      | -                                 | 250,809                        |
| Departmental and Other  | 332,685              | -                      | 97,279                            | 429,964                        |
| Intergovernmental   | 1,683,779            | 1,187,880              | 711,595                           | 3,583,254                      |
| Tax Foreclosures  | 13,603               | -                      | -                                 | 13,603                         |
| Restricted Assets:  |                      |                        |                                   |                                |
| Cash and Cash Equivalents   | -                    | 4,517,373              | 6,020,870                         | 10,538,243                     |
| Investments   | -                    | -                      | 5,876,381                         | 5,876,381                      |
| Total Assets  | <u>\$ 28,262,446</u> | <u>\$ 5,705,253</u>    | <u>\$ 12,706,125</u>              | <u>\$ 46,673,824</u>           |
| <br><b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES<br/>AND FUND BALANCES</b> |                      |                        |                                   |                                |
| <b>LIABILITIES</b>  |                      |                        |                                   |                                |
| Warrants Payable  | \$ 384,910           | \$ -                   | \$ 56,338                         | \$ 441,248                     |
| Accrued Payroll   | 496,667              | -                      | 39,521                            | 536,188                        |
| Tax Refunds Payable   | 59,515               | -                      | -                                 | 59,515                         |
| Other Liabilities   | 86,246               | -                      | 148,740                           | 234,986                        |
| Workers' Compensation Claims  | 123,291              | -                      | -                                 | 123,291                        |
| Short-Term Notes Payable  | -                    | 4,220,000              | -                                 | 4,220,000                      |
| Total Liabilities   | 1,150,629            | 4,220,000              | 244,599                           | 5,615,228                      |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>                                    |                      |                        |                                   |                                |
| Unavailable Revenue   | 3,398,733            | -                      | 97,279                            | 3,496,012                      |
| <br><b>FUND BALANCES</b>  |                      |                        |                                   |                                |
| Nonspendable  | -                    | -                      | 2,685,572                         | 2,685,572                      |
| Restricted  | 54,946               | 1,485,253              | 9,831,519                         | 11,371,718                     |
| Committed   | 7,534,056            | -                      | -                                 | 7,534,056                      |
| Assigned  | 1,695,458            | -                      | -                                 | 1,695,458                      |
| Unassigned  | 14,428,624           | -                      | (152,844)                         | 14,275,780                     |
| Total Fund Balances   | <u>23,713,084</u>    | <u>1,485,253</u>       | <u>12,364,247</u>                 | <u>37,562,584</u>              |
| Total Liabilities, Deferred Inflows of Resources<br>and Fund Balances       | <u>\$ 28,262,446</u> | <u>\$ 5,705,253</u>    | <u>\$ 12,706,125</u>              | <u>\$ 46,673,824</u>           |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|  | General              | School<br>Construction | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES</b>  |                      |                        |                                   |                                |
| Real Estate and Personal Property Taxes                      | \$ 91,806,591        | \$ -                   | \$ -                              | \$ 91,806,591                  |
| Motor Vehicle and Other Excise Taxes                         | 4,096,506            | -                      | -                                 | 4,096,506                      |
| Tax Liens  | 146,576              | -                      | -                                 | 146,576                        |
| Payments in Lieu of Taxes                                    | 34,667               | -                      | -                                 | 34,667                         |
| Charges for Services   | -                    | -                      | 2,587,579                         | 2,587,579                      |
| Trash Disposal   | 1,480,799            | -                      | -                                 | 1,480,799                      |
| Intergovernmental  | 23,978,199           | -                      | 3,024,331                         | 27,002,530                     |
| Penalties and Interest on Taxes                              | 222,997              | -                      | -                                 | 222,997                        |
| Licenses and Permits   | 1,524,051            | -                      | 272,907                           | 1,796,958                      |
| Fines and Forfeitures  | 32,327               | -                      | -                                 | 32,327                         |
| Departmental and Other                                       | 2,726,006            | -                      | 1,607,863                         | 4,333,869                      |
| Contributions  | -                    | -                      | 849,651                           | 849,651                        |
| Investment Income  | 665,970              | -                      | 352,476                           | 1,018,446                      |
| Total Revenues   | 126,714,689          | -                      | 8,694,807                         | 135,409,496                    |
| <b>EXPENDITURES</b>  |                      |                        |                                   |                                |
| Current:   |                      |                        |                                   |                                |
| General Government   | 7,558,084            | -                      | 1,287,005                         | 8,845,089                      |
| Public Safety  | 9,624,936            | -                      | 1,274,324                         | 10,899,260                     |
| Education  | 62,431,282           | 2,364,609              | 5,137,172                         | 69,933,063                     |
| Public Works   | 8,722,424            | -                      | 995,580                           | 9,718,004                      |
| Health and Human Services                                    | 1,018,255            | -                      | 234,310                           | 1,252,565                      |
| Culture and Recreation                                       | 1,959,053            | -                      | 67,487                            | 2,026,540                      |
| Pension Benefits   | 4,584,213            | -                      | -                                 | 4,584,213                      |
| Employee Benefits  | 14,657,030           | -                      | -                                 | 14,657,030                     |
| Property and Liability Insurance                             | 388,843              | -                      | -                                 | 388,843                        |
| State and County Charges                                     | 573,680              | -                      | -                                 | 573,680                        |
| Debt Service:  |                      |                        |                                   |                                |
| Principal  | 7,644,566            | -                      | -                                 | 7,644,566                      |
| Interest   | 5,349,182            | -                      | -                                 | 5,349,182                      |
| Total Expenditures   | 124,511,548          | 2,364,609              | 8,995,878                         | 135,872,035                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | 2,203,141            | (2,364,609)            | (301,071)                         | (462,539)                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                      |                        |                                   |                                |
| Premium from Issuance of Bonds and Notes                     | -                    | -                      | 8,536                             | 8,536                          |
| Transfers In   | 1,476,193            | 80,000                 | 508,353                           | 2,064,546                      |
| Transfer Out   | (5,584,162)          | -                      | (474,080)                         | (6,058,242)                    |
| Total Other Financing Sources (Uses)                         | (4,107,969)          | 80,000                 | 42,809                            | (3,985,160)                    |
| <b>NET CHANGE IN FUND BALANCES</b>                           | (1,904,828)          | (2,284,609)            | (258,262)                         | (4,447,699)                    |
| Fund Balances - Beginning of Year                            | 25,617,912           | 3,769,862              | 12,622,509                        | 42,010,283                     |
| <b>FUND BALANCES - END OF YEAR</b>                           | <u>\$ 23,713,084</u> | <u>\$ 1,485,253</u>    | <u>\$ 12,364,247</u>              | <u>\$ 37,562,584</u>           |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND  
BALANCES TO THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2019**

|   |                             |
|---|-----------------------------|
| Total Governmental Fund Balances  | \$ 37,562,584               |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds | 309,567,639                 |
| Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds           | 3,496,012                   |
| In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due               | (1,695,032)                 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.   |                             |
| Bonds and Notes Payable   | (135,768,686)               |
| Compensated Absences  | (1,584,777)                 |
| Net Pension Liability   | (33,882,117)                |
| Net OPEB Liability  | (122,424,771)               |
| In the statement of net position, deferred outflows of resources are reported for amounts related to pensions and OPEB  | 23,311,656                  |
| In the statement of net position, deferred inflows of resources are reported for amounts related to pensions and OPEB   | <u>(2,461,058)</u>          |
| Net Position of Governmental Activities   | <u><u>\$ 76,121,450</u></u> |

*See accompanying Notes to Financial Statements.*

**TOWN OF WINCHESTER, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

|  |                        |
|--|------------------------|
| Net Change in Fund Balances - Total Governmental Funds   | \$ (4,447,699)         |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>  |                        |
| Capital Outlays  | 5,030,104              |
| Depreciation   | (4,956,144)            |
| <p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed</p>  |                        |
|  | (1,330,443)            |
| <p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>  |                        |
|  | (251,545)              |
| <p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p> |                        |
| Unamortized Premiums from Issuance of Bonds  | 206,089                |
| Bond Maturities  | 7,644,566              |
| <p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>  |                        |
|  | 1,048,992              |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>  |                        |
| Compensated Absences   | (28,677)               |
| Net Pension Liability  | (11,391,916)           |
| Net OPEB Liability   | (39,100,786)           |
| <p>In the statement of activities, deferred outflows related to pensions and OPEB are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions and OPEB.</p>  |                        |
|  | 17,485,407             |
| <p>In the statement of activities, deferred inflows related to pensions and OPEB are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions and OPEB.</p>  |                        |
|  | <u>3,105,387</u>       |
| Changes in Net Position of Governmental Activities   | <u>\$ (26,986,665)</u> |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF FUND NET POSITION  
 JUNE 30, 2019**

|  | Business-Type Activities - Enterprise Funds |              |               |
|--|---|--------------|---------------|
|  | Water &<br>Sewer                            | Recreation   | Total         |
| <b>ASSETS</b>  |   |              |               |
| Current Assets:  |   |              |               |
| Cash and Cash Equivalents                                | \$ 1,851,669                                | \$ 747,871   | \$ 2,599,540  |
| Restricted Cash and Cash Equivalents                     | 2,035,752                                   | -            | 2,035,752     |
| Receivables, Net of Allowance for Uncollectible Amounts: |   |              |               |
| User Charges   | 1,987,678                                   | -            | 1,987,678     |
| Utility Liens  | 14,960                                      | -            | 14,960        |
| Total Current Assets                                     | 5,890,059                                   | 747,871      | 6,637,930     |
| Noncurrent Assets:                                       |   |              |               |
| Capital Assets not being Depreciated                     | 1,265,122                                   | -            | 1,265,122     |
| Capital Assets, Net of Accumulated Depreciation          | 19,348,447                                  | 17,748       | 19,366,195    |
| Total Noncurrent Assets                                  | 20,613,569                                  | 17,748       | 20,631,317    |
| Total Assets   | 26,503,628                                  | 765,619      | 27,269,247    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |   |              |               |
| Related to Pensions                                      | 230,945                                     | 139,899      | 370,844       |
| Related to OPEB  | 193,609                                     | 117,286      | 310,895       |
| Total Deferred Outflows of Resources                     | 424,554                                     | 257,185      | 681,739       |
| <b>LIABILITIES</b>                                       |   |              |               |
| Current Liabilities:                                     |   |              |               |
| Warrants Payable   | 134,665                                     | 4,381        | 139,046       |
| Accrued Payroll  | 31,466                                      | 45,229       | 76,695        |
| Accrued Interest   | 46,153                                      | -            | 46,153        |
| Compensated Absences                                     | 5,131                                       | -            | 5,131         |
| Long-Term Bonds and Notes Payable                        | 992,650                                     | -            | 992,650       |
| Total Current Liabilities                                | 1,210,065                                   | 49,610       | 1,259,675     |
| Noncurrent Liabilities:                                  |   |              |               |
| Compensated Absences                                     | 46,176                                      | -            | 46,176        |
| Net Pension Liability                                    | 912,073                                     | 483,230      | 1,395,303     |
| Net OPEB Liability                                       | 1,826,810                                   | 1,106,653    | 2,933,463     |
| Long-Term Bonds and Notes Payable                        | 5,818,697                                   | -            | 5,818,697     |
| Total Noncurrent Liabilities                             | 8,603,756                                   | 1,589,883    | 10,193,639    |
| Total Liabilities  | 9,813,821                                   | 1,639,493    | 11,453,314    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |   |              |               |
| Related to Pensions                                      | 64,532                                      | 33,586       | 98,118        |
| Related to OPEB  | 752   | 456          | 1,208         |
| Total Deferred Inflows of Resources                      | 65,284                                      | 34,042       | 99,326        |
| <b>FUND NET POSITION</b>                                 |   |              |               |
| Net Investment in Capital Assets                         | 15,837,974                                  | 17,748       | 15,855,722    |
| Unrestricted   | 1,211,103                                   | (668,479)    | 542,624       |
| Total Net Position                                       | \$ 17,049,077                               | \$ (650,731) | \$ 16,398,346 |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 JUNE 30, 2019**

|  | Business-Type Activities - Enterprise Funds |                     |                      |
|--|---|---------------------|----------------------|
|  | Water &<br>Sewer                            | Recreation          | Total                |
| <b>OPERATING REVENUES</b>                                  |   |                     |                      |
| Charges for Services                                       | \$ 5,669,884                                | \$ 2,188,298        | \$ 7,858,182         |
| Penalties and Interest                                     | 22,321                                      | -                   | 22,321               |
| Total Operating Revenues                                   | 5,692,205                                   | 2,188,298           | 7,880,503            |
| <b>OPERATING EXPENSES</b>                                  |   |                     |                      |
| Cost of Service and Administration                         | 2,358,906                                   | 1,798,005           | 4,156,911            |
| MWRA Assessment  | 6,159,773                                   | -                   | 6,159,773            |
| Depreciation   | 720,344                                     | 1,548               | 721,892              |
| Total Operating Expenses                                   | 9,239,023                                   | 1,799,553           | 11,038,576           |
| <b>OPERATING LOSS</b>                                      | (3,546,818)                                 | 388,745             | (3,158,073)          |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                    |   |                     |                      |
| Investment Income  | 85,990                                      | 4,545               | 90,535               |
| Interest Expense   | (202,056)                                   | -                   | (202,056)            |
| Total Nonoperating Revenues (Expenses), Net                | (116,066)                                   | 4,545               | (111,521)            |
| <b>LOSS BEFORE CAPITAL CONTRIBUTIONS<br/>AND TRANSFERS</b> | (3,662,884)                                 | 393,290             | (3,269,594)          |
| Capital Contributions                                      | 425,000                                     | -                   | 425,000              |
| Transfers In   | 4,820,809                                   | 175,000             | 4,995,809            |
| Transfers Out  | (902,000)                                   | (100,113)           | (1,002,113)          |
| Total Capital Contributions and Transfers                  | 4,343,809                                   | 74,887              | 4,418,696            |
| <b>CHANGE IN FUND NET POSITION</b>                         | 680,925                                     | 468,177             | 1,149,102            |
| Fund Net Position - Beginning of Year                      | 16,368,152                                  | (1,118,908)         | 15,249,244           |
| <b>FUND NET POSITION - END OF YEAR</b>                     | <u>\$ 17,049,077</u>                        | <u>\$ (650,731)</u> | <u>\$ 16,398,346</u> |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2019**

|   | Business-Type Activities - Enterprise Funds |                   |                       |
|---|---|-------------------|-----------------------|
|   | Water &<br>Sewer                            | Recreation        | Total                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                   |                       |
| Receipts from Customers and Users   | \$ 5,769,995                                | \$ 2,188,298      | \$ 7,958,293          |
| Receipts from Interfund Services Provided   |   |                   | -                     |
| Payments to Vendors   | (7,831,001)                                 | (826,482)         | (8,657,483)           |
| Payments to Employees   | (1,185,629)                                 | (1,247,495)       | (2,433,124)           |
| Net Cash Used by Operating Activities   | (3,246,635)                                 | 114,321           | (3,132,314)           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |                   |                       |
| Transfers In  | 4,820,809                                   | 175,000           | 4,995,809             |
| Transfers Out   | (902,000)                                   | (100,113)         | (1,002,113)           |
| Net Cash Provided by Noncapital Financing Activities  | 3,918,809                                   | 74,887            | 3,993,696             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |   |                   |                       |
| Capital Contributions (MWRA Grant)  | 425,000                                     | -                 | 425,000               |
| Acquisition and Construction of Capital Assets  | (839,846)                                   | -                 | (839,846)             |
| Principal Payments on Bonds and Notes   | (1,574,247)                                 | -                 | (1,574,247)           |
| Interest Paid   | (213,211)                                   | -                 | (213,211)             |
| Net Cash Used by Capital and Related Financing Activities   | (2,202,304)                                 | -                 | (2,202,304)           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |                   |                       |
| Investment Income   | 85,990                                      | 4,545             | 90,535                |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>  | (1,444,140)                                 | 193,753           | (1,250,387)           |
| Cash and Cash Equivalents at Beginning of Year<br>(includes \$2,801,082 reported as restricted in Water & Sewer)  | 5,331,561                                   | 554,118           | 5,885,679             |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b><br>(includes \$2,035,752 reported as restricted in Water & Sewer) | <u>\$ 3,887,421</u>                         | <u>\$ 747,871</u> | <u>\$ 4,635,292</u>   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>                            |   |                   |                       |
| Operating Income (Loss)   | \$ (3,546,818)                              | \$ 388,745        | \$ (3,158,073)        |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:                    |   |                   |                       |
| Changes in Assets and Liabilities not Requiring Current Cash Flows:   |   |                   |                       |
| Depreciation  | 720,344                                     | 1,548             | 721,892               |
| Net Pension Liability   | 398,939                                     | 189,286           | 588,225               |
| Deferred Outflows Related to Pension  | (157,957)                                   | (74,947)          | (232,904)             |
| Deferred Inflows Related to Pension   | (110,514)                                   | (52,436)          | (162,950)             |
| Net OPEB Liability  | (354,936)                                   | (192,625)         | (547,561)             |
| Deferred Outflows Related to OPEB   | (193,609)                                   | (117,286)         | (310,895)             |
| Deferred Inflows Related to OPEB  | 752   | 456               | 1,208                 |
| Effect of Changes in Operating Assets and Liabilities:  |   |                   |                       |
| Utility Liens   | 14,774                                      | -                 | 14,774                |
| User Charges  | 63,016                                      | -                 | 63,016                |
| Warrants Payable  | (72,727)                                    | (29,714)          | (102,441)             |
| Accrued Payroll   | (569)                                       | 1,294             | 725                   |
| Compensated Absences  | (7,330)                                     | -                 | (7,330)               |
| Total Adjustments   | 300,183                                     | (274,424)         | 25,759                |
| Net Cash Provided by Operating Activities   | <u>\$ (3,246,635)</u>                       | <u>\$ 114,321</u> | <u>\$ (3,132,314)</u> |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

|  | Pension and Other<br>Postemployment<br>Benefit<br>Trust Funds | Private<br>Purpose<br>Trust Funds | Agency<br>Funds |
|--|---|-----------------------------------|-----------------|
| <b>ASSETS</b>  |   |                                   |                 |
| Cash and Cash Equivalents                                | \$ 584,343  | \$ 61,512                         | \$ 1,112,483    |
| Investments:   |   |                                   |                 |
| Equities   | 2,195,744   | -                                 | -               |
| U.S. Treasury and Agencies                               | -   | 20,624                            | -               |
| Fixed Income Mutual Funds                                | 867,617   | 730,318                           | -               |
| External Investment Pool                                 | 117,935,728   | -                                 | -               |
| Receivables, Net of Allowance for Uncollectible Amounts: |   |                                   |                 |
| Departmental and Other                                   | 80,251  | -                                 | -               |
| Total Assets   | 121,663,683   | 812,454                           | \$ 1,112,483    |
| <b>LIABILITIES</b>                                       |   |                                   |                 |
| Warrants Payable   | 7,698   | -                                 | 37,461          |
| Other Liabilities  | -   | -                                 | 975,533         |
| Liabilities Due Depositors                               | -   | -                                 | 99,489          |
| Total Liabilities  | 7,698   | -                                 | \$ 1,112,483    |
| <b>NET POSITION</b>                                      |   |                                   |                 |
| Net Position Restricted for Pension, OPEB and Other      | \$ 121,655,985  | \$ 812,454                        |                 |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2019**

|  | <u>Pension and Other<br/>Postemployment<br/>Benefit<br/>Trust Funds</u> | <u>Private<br/>Purpose<br/>Trust Funds</u> |
|--|---|--|
| <b>ADDITIONS</b>   |   |  |
| Contributions:   |   |  |
| Employer   | \$ 11,978,892   | \$ -                                       |
| Plan Members   | 2,034,000   | -  |
| Total Contributions  | <u>14,012,892</u>   | <u>-</u>                                   |
| Net Investment Income:                                       |   |  |
| Net Appreciation/(Depreciation) in Fair Value of Investments | (5,711,289)   | 22,495                                     |
| Interest   | 2,671,764   | 19,208                                     |
| Total Investment Income                                      | <u>(3,039,525)</u>  | <u>41,703</u>                              |
| Less: Investment Expense                                     | <u>(558,092)</u>  | <u>-</u>                                   |
| Net Investment Income  | <u>(3,597,617)</u>  | <u>41,703</u>                              |
| Other  | <u>727,471</u>  | <u>-</u>                                   |
| Total Additions  | <u>11,142,746</u>   | <u>41,703</u>                              |
| <b>DEDUCTIONS</b>  |   |  |
| Administration   | 136,000   | -  |
| Benefits and Refunds   | 11,964,591  | -  |
| Transfers to Other Systems                                   | 709,068   | -  |
| Scholarships Awarded   | -   | 51,914                                     |
| Total Deductions   | <u>12,809,659</u>   | <u>51,914</u>                              |
| <b>CHANGE IN NET POSITION</b>                                | <b>(1,666,913)</b>  | <b>(10,211)</b>                            |
| Net Position - Beginning of Year                             | <u>123,322,898</u>  | <u>822,665</u>                             |
| <b>NET POSITION - END OF YEAR</b>                            | <b><u>\$ 121,655,985</u></b>  | <b><u>\$ 812,454</u></b>                   |

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The Town of Winchester, Massachusetts (Town) is a municipal corporation that is governed by an elected Select Board.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions, and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

The Town has included the Winchester Contributory Retirement System (System) and the Other Postemployment Benefits (OPEB) Trust Fund as component units (blended) in the reporting entity because of the significance of their operational and financial relationships with the Town.

Blended Component Units

The System was established to provide retirement benefits to Town employees, the Winchester Housing Authority's employees, and their respective beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, a fourth member appointed by the Select Board and a fifth member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported in the Pension and Other Postemployment Benefits Trust Funds in the fiduciary fund financial statements.

The OPEB Trust Fund was established to accumulate resources to provide postemployment benefits other than pensions to retirees and their beneficiaries. Chapter 32B of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the OPEB Trust Fund. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The OPEB Trust Fund is presented using the accrual basis of accounting and is reported in the Pension and Other Postemployment Benefits Trust Funds in the fiduciary fund financial statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

*Northeast Metropolitan Regional Vocational School District*

The Town is indirectly liable for the Northeast Metropolitan Regional Vocational School District's (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2019 assessment totaled approximately \$128,000. Separate financial statements may be obtained by writing to the Treasurer of the District at 100 Hemlock Road, Wakefield, Massachusetts 01880.

**C. Implementation of New Accounting Principles**

For the year ended June 30, 2019, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The implementation of these GASB Statements had no reporting impact.

**D. Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by user fees.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column. Fiduciary funds are reported by fund type.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation**

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that is restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that is restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

Except for charges between the General Fund and Enterprise Funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

**Governmental funds** financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

The following major governmental funds are reported:

The *General Fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *School Construction Fund* is a capital projects fund used to account for financial resources to expand and upgrade school facilities.

The nonmajor governmental funds consist of other special revenue, capital projects, and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

*Special Revenue Funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Permanent Funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Proprietary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *Water & Sewer Enterprise Fund* is used to account for water and sewer activities.

The *Recreation Enterprise Fund* is used to account for recreation activities.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Fiduciary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *Pension and Other Postemployment Benefits Trust Funds* are used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries. The funds are also used to accumulate resources to provide funding for future OPEB liabilities.

The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *Agency Fund* is used to account for assets held in a custodial capacity. Such assets consist of bid deposits and payroll withholdings. Agency funds do not present the results of operations or have a measurement focus.

**F. Deposits and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. Fair value is based on quotations from a national securities exchange except for pooled funds, for which fair value is based on unit value reported by the funds.

**G. Accounts Receivable**

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

**Real Estate Taxes, Personal Property Taxes, and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. The tax year is from July 1 to June 30. Tax bills are sent on July 1<sup>st</sup>, October 1<sup>st</sup>, January 1<sup>st</sup> and April 1<sup>st</sup> and due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable (Continued)**

Real estate tax liens are processed in accordance with Massachusetts General Law (MGL) on delinquent properties and are recorded as receivables in the fiscal year they are processed.

**Motor Vehicle Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

**User Charges (Water & Sewer Enterprise Fund)**

User charges are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed in accordance with MGL and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables when levied.

**Special Assessments**

Special assessments for sidewalks and streets betterments are levied annually based on various sidewalks and streets projects. Residents have the option of paying their respective share of the betterment up front or over a period of up to 20 years and are subject to penalties and interest if they are not paid by the respective due dates. Special assessments are recorded as receivables when the project is complete.

**Departmental and Other**

Departmental and other receivables consist primarily of ambulance services, police details and parking tickets and are recorded as receivables in the fiscal year accrued.

**Intergovernmental**

Various state and federal operating and capital grants are applied for and received annually. For nonexpenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Allowance for Uncollectible Amounts**

Government-Wide and Fund Financial Statements

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)
- Special assessments

Intergovernmental receivables are considered 100% collectible.

**I. Inventories**

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

**J. Restricted Assets**

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**K. Capital Assets**

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements and the proprietary fund financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the acquisition value at the date of donation.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

Government-Wide and Proprietary Fund Financial Statements (Continued)

All purchases and construction costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives and capitalization thresholds of capital assets are as follows:

| <u>Capital Asset Type</u>       | <u>Estimated Useful Life (in years)</u> | <u>Capitalization Threshold (\$)</u> |
|---------------------------------|---|--------------------------------------|
| Land.....                       | N/A                                     | 25,000                               |
| Land improvements.....          | 20-30                                   | 25,000                               |
| Buildings and improvements..... | 7-50                                    | 25,000                               |
| Machinery and equipment.....    | 5-30                                    | 5,000                                |
| Vehicles.....                   | 5-10                                    | 5,000                                |
| Infrastructure.....             | 20-60                                   | 50,000                               |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

**L. Interfund Receivables and Payables**

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

**N. Deferred Outflows of Resources**

Government-Wide and Fund Financial Statements

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statements of net position. They represent deferred outflows of resources as defined and identified in GASB Statements No. 68 and 75, respectively.

**O. Deferred Inflows of Resources**

Government-Wide and Fund Financial Statements

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has two items that qualify for reporting in this category. They are as follows:

- *Unavailable revenue* is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.
- *Related to pensions and OPEB* are reported in the government-wide statement of net position. They represent deferred inflows of resources as defined and identified in GASB Statements No. 68 and 75, respectively.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances**

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net position)

Net position are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been “restricted” for the following:

*Debt service* represents amounts accumulated from premiums on exempt debt for the future payment of long-term debt service costs.

*Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.

*Permanent funds – nonexpendable* represents amounts held in trust for which only investment earnings may be expended.

*Other specific purposes* represent restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

*Assigned* — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, only authorized assignments for noncontractual encumbrances can be made by individual department heads.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances (Continued)**

Governmental Funds Financial Statements (Fund Balances) (Continued)

*Unassigned* — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

The Town adopted an Operating Reserve policy as of December 31, 2008. It is the Town's policy to maintain a sum in operating reserves that is no less than six percent of its total General Fund revenues. The Town considers its operating reserves to consist of undesignated fund balance of the General Fund (as defined by the Uniform Massachusetts Accounting System basis of accounting established by the Commonwealth) and the General Stabilization fund balance.

**Q. Long-Term Debt**

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums, discounts, and losses on refundings are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium/discount.

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**R. Investment Income**

Government-Wide and Fund Financial Statements

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the General Fund unless otherwise directed by MGL.

Investment income from the proprietary funds is retained in the proprietary funds.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Compensated Absences**

Government-Wide and Proprietary Fund Financial Statements

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws, and executive policies.

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Funds Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

**T. Pensions**

Government-Wide and Proprietary Fund Financial Statements

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**U. Other Postemployment Benefits**

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 10, the Town provides health and life insurance coverage for retirees, spouses and beneficiaries.

**V. Use of Estimates**

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**W. Total Column**

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**W. Total Column (Continued)**

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote and in some instances 2/3rds vote.

Increases to the original budget subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are noncontinuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses, and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the General Fund in conformity with the guidelines described above. The original fiscal year 2019 approved budget for the General Fund authorized \$119,468,873 in appropriations. During fiscal year 2019, supplemental appropriations totaling \$2,530,961 were authorized.

The Comptroller's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-GAAP Budgetary Basis – Budget and Actual, presented in the accompanying Required Supplementary Information, presents comparison of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. FUND DEFICITS**

At June 30, 2019, the following temporary governmental fund deficits exist:

| Fund                      | Amount            | Funding Source                   |
|---------------------------|-------------------|----------------------------------|
| ADA Transition Plan.....  | \$ 40,000         | State grant                      |
| Safer Grant Program.....  | 45,555            | Federal grant                    |
| Special Duty Details..... | 67,289            | User charges and available funds |
| Total.....                | <u>\$ 152,844</u> |                                  |

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Town (Excluding the Pension Trust Fund)**

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. Treasury or Agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the Permanent Funds, Private Purpose Trust Funds, Pension Trust Fund and OPEB Trust Fund are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2019, \$17,056,476 of the Town's bank balance of \$18,299,611 was uninsured and uncollateralized.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Town (Excluding the Pension Trust Fund) (Continued)**

Investments Summary

The Town's investments at June 30, 2019 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

| Investment Type*               | Fair Value           | Investment Maturities (in Years) |                  |                |               |
|--------------------------------|----------------------|----------------------------------|------------------|----------------|---------------|
|                                |                      | Less Than 1                      | 1 - 5            | 6 - 10         | More Than 10  |
| <u>Debt Securities:</u>        |                      |                                  |                  |                |               |
| U.S. Treasuries.....           | \$ 246,788           | \$ -                             | \$ 182,844       | \$63,944       | \$ -          |
| U.S. Agencies.....             | 4,614,445            | 3,469,221                        | 919,722          | 225,502        | -             |
| Corporate bonds.....           | 404,283              | 85,434                           | 318,849          | -              | -             |
| Municipal bonds.....           | 62,756               | -                                | -                | 41,702         | 21,054        |
| Money market mutual funds..... | 2,282,051            | 2,282,051                        | -                | -              | -             |
| Certificate of deposits.....   | 1,897,868            | 624,751                          | 1,273,117        | -              | -             |
| Fixed income securities.....   | 2,706,364            | 1,899,887                        | 485,789          | 320,688        | -             |
| External investment pools..... | 16,310,385           | 16,310,385                       | -                | -              | -             |
| Total debt securities.....     | <u>28,524,940</u>    | <u>24,671,729</u>                | <u>3,180,321</u> | <u>651,836</u> | <u>21,054</u> |
| <u>Other Investments:</u>      |                      |                                  |                  |                |               |
| Equity mutual funds.....       | <u>6,753,720</u>     |                                  |                  |                |               |
| Total investments.....         | <u>\$ 35,278,660</u> |                                  |                  |                |               |

\* Some amounts in this table are reported as Cash and Cash Equivalents in the financial statements in accordance with policies disclosed in Note 1.

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town has a policy that the fixed income portion of the portfolio shall have an average maturity of not more than 10 years.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2019, the Town was not exposed to custodial credit risk.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Town (Excluding the Pension Trust Fund) (Continued)**

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town's policy for trust fund investments is that municipal and corporate debt securities shall be rated no less than "A" by at least one nationally recognized bond rating service at the time of purchase. The Town's policy for all other investments in debt securities is to comply with the provisions of MGL Chapter 44. As of June 30, 2019, the credit quality ratings of the Town's investments in debt securities are as follows:

| Investment Type                | Fair Value          | Quality Ratings (1) |                  |                  |                   |                      |
|--------------------------------|---------------------|---------------------|------------------|------------------|-------------------|----------------------|
|                                |                     | AAA                 | AA               | A+               | BBB+              | Unrated              |
| U.S. Treasuries.....           | \$ 246,788          | \$ 246,788          | \$ -             | \$ -             | \$ -              | \$ -                 |
| U.S. Agencies.....             | 4,614,445           | 4,614,445           | -                | -                | -                 | -                    |
| Corporate bonds.....           | 404,283             | -                   | -                | 152,883          | 251,400           | -                    |
| Municipal bonds.....           | 62,756              | 20,959              | 41,797           | -                | -                 | -                    |
| Money market mutual funds....  | 2,282,051           | -                   | -                | -                | -                 | 2,282,051            |
| Certificates of deposit.....   | 1,897,868           | -                   | -                | -                | -                 | 1,897,868            |
| Fixed income securities.....   | 2,706,364           | -                   | -                | -                | -                 | 2,706,364            |
| External investment pools..... | 16,310,385          | -                   | -                | -                | -                 | 16,310,385           |
| Total.....                     | <u>\$28,524,940</u> | <u>\$ 4,882,192</u> | <u>\$ 41,797</u> | <u>\$152,883</u> | <u>\$ 251,400</u> | <u>\$ 23,196,668</u> |

(1) Per the rating scale of Standard and Poor's (a national credit rating organization)

Investments – Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Town (Excluding the Pension Trust Fund) (Continued)**

Investments – Fair Value Measurements (Continued)

| Investments by Fair Value Level             | Fair Value           | Fair Value Measurements Using   |   |  |
|---|----------------------|---|---|--|
|   |                      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <u>Debt Securities:</u>                     |                      |   |   |  |
| U.S. Treasuries.....                        | \$ 246,788           | \$ 246,788  | \$ -  | \$ -   |
| U.S. Agencies.....                          | 4,614,445            | 4,614,445   | -   | -  |
| Corporate bonds.....                        | 404,283              | 404,283   | -   | -  |
| Municipal Bonds.....                        | 62,756               | 62,756  | -   | -  |
| Fixed Income Securities.....                | 2,706,364            | 2,706,364   | -   | -  |
| Total Debt Securities.....                  | 8,034,636            | 8,034,636   | -   | -  |
| <u>Equity Securities:</u>                   |                      |   |   |  |
| Equity mutual funds.....                    | 6,753,720            | 6,753,720   | -   | -  |
| Total Investments by Fair Value Level ..... | <u>\$ 14,788,356</u> | <u>\$ 14,788,356</u>  | <u>\$ -</u>   | <u>\$ -</u>  |

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

**Pension Trust Fund (The System)**

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

All of the System's investments are in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. A nine-member Board acts as Trustee and is responsible for the control and management of the fund. The Treasurer & Receiver-General of the Commonwealth is a member ex-officio and serves as the Chair. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2018, the System was not exposed to custodial credit risk.

Investment Summary

The System's investments at December 31, 2018 in the amount of \$117,935,728 consisted entirely of PRIT with investment maturities of less than 1 year.

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.



**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

At June 30, 2019, receivables for the Water & Sewer Enterprise Fund consist of the following:

|                     | Gross<br>Amount     | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|---------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> |                     |                                    |                     |
| User charges.....   | \$ 1,987,678        | \$ -                               | \$ 1,987,678        |
| Utility liens.....  | 14,960              | -                                  | 14,960              |
|                     | <u>\$ 2,002,638</u> | <u>\$ -</u>                        | <u>\$ 2,002,638</u> |

**McCall Middle School**

The Massachusetts School Building Authority (MSBA) provides contract assistance to the Town for the completed McCall Middle School construction project. The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2019, \$672,082 of such assistance was received and is reported as revenue in the General Fund. \$1,344,164 will be received in future fiscal years. Of this amount, \$479,238 represents reimbursement of long-term interest costs, and \$864,926 represents reimbursement of approved construction costs. Accordingly, a \$864,926 intergovernmental receivable and corresponding deferred inflow have been reported on the General Fund balance sheet. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**Winchester High School**

The MSBA provides grants to the Town for the Winchester High School construction project. Town Meeting authorized feasibility and construction costs of \$129,923,146, which included approximately \$31,800,000 of costs that are considered excludable in accordance with MSBA's reimbursement policy. Based on the most recently approved amendments, the MSBA has approved a maximum grant totaling approximately \$43,100,000 representing 42.92% of the MSBA allowable costs totaling approximately \$100,420,000. As of June 30, 2019, approximately \$129,000,000 has been spent on the project and approximately \$41,080,000 in grants has been received and accrued to date. An intergovernmental receivable of \$1,187,880 has been reported on the School Construction balance sheet for costs incurred but not yet reimbursed as of June 30, 2019.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

|  | Balance at<br>6/30/18 | Increases      | Decreases        | Balance at<br>6/30/19 |
|--|-----------------------|----------------|------------------|-----------------------|
| <b>Governmental Activities:</b>                        |                       |                |                  |                       |
| <u>Capital assets not being depreciated:</u>           |                       |                |                  |                       |
| Land.....  | \$ 64,731,516         | \$ -           | \$ -             | \$ 64,731,516         |
| Construction in progress.....                          | 136,945,555           | 1,745,525      | (134,723,798)    | 3,967,282             |
| Total capital assets not being depreciated.....        | 201,677,071           | 1,745,525      | (134,723,798)    | 68,698,798            |
| <u>Capital assets being depreciated:</u>               |                       |                |                  |                       |
| Land improvements.....                                 | 12,173,239            | 6,848,602      | -                | 19,021,841            |
| Buildings and improvements.....                        | 140,813,158           | 126,827,108    | (8,766,898)      | 258,873,368           |
| Machinery and equipment.....                           | 11,931,919            | 375,167        | -                | 12,307,086            |
| Vehicles.....  | 5,595,346             | 464,428        | (366,876)        | 5,692,898             |
| Infrastructure.....                                    | 36,809,191            | 2,877,588      | (192,309)        | 39,494,470            |
| Total capital assets being depreciated.....            | 207,322,853           | 137,392,893    | (9,326,083)      | 335,389,663           |
| <u>Less accumulated depreciation for:</u>              |                       |                |                  |                       |
| Land improvements.....                                 | (5,255,518)           | (473,739)      | -                | (5,729,257)           |
| Buildings and improvements.....                        | (52,660,809)          | (3,216,207)    | 8,056,917        | (47,820,099)          |
| Machinery and equipment.....                           | (10,048,732)          | (418,624)      | -                | (10,467,356)          |
| Vehicles.....  | (4,562,762)           | (254,879)      | 361,899          | (4,455,742)           |
| Infrastructure.....                                    | (25,647,982)          | (592,695)      | 192,309          | (26,048,368)          |
| Total accumulated depreciation.....                    | (98,175,803)          | (4,956,144)    | 8,611,125        | (94,520,822)          |
| Total capital assets being depreciated, net.....       | 109,147,050           | 132,436,749    | (714,958)        | 240,868,841           |
| Total governmental activities capital assets, net..... | \$ 310,824,121        | \$ 134,182,274 | \$ (135,438,756) | \$ 309,567,639        |
| <b>Business-Type Activities:</b>                       |                       |                |                  |                       |
| <u>Water &amp; Sewer:</u>                              |                       |                |                  |                       |
| <u>Capital assets not being depreciated:</u>           |                       |                |                  |                       |
| Construction in progress.....                          | \$ 645,982            | \$ 619,140     | \$ -             | \$ 1,265,122          |
| <u>Capital assets being depreciated:</u>               |                       |                |                  |                       |
| Land improvements.....                                 | 1,679,786             | -              | -                | 1,679,786             |
| Buildings and improvements.....                        | 7,324,527             | -              | -                | 7,324,527             |
| Machinery and equipment.....                           | 1,599,794             | 220,706        | -                | 1,820,500             |
| Vehicles.....  | 840,068               | -              | -                | 840,068               |
| Infrastructure.....                                    | 19,978,797            | -              | -                | 19,978,797            |
| Total capital assets being depreciated.....            | 31,422,972            | 220,706        | -                | 31,643,678            |
| <u>Less accumulated depreciation for:</u>              |                       |                |                  |                       |
| Land improvements.....                                 | (567,855)             | (81,792)       | -                | (649,647)             |
| Buildings and improvements.....                        | (3,112,456)           | (150,634)      | -                | (3,263,090)           |
| Machinery and equipment.....                           | (1,270,389)           | (56,118)       | -                | (1,326,507)           |
| Vehicles.....  | (703,651)             | (27,785)       | -                | (731,436)             |
| Infrastructure.....                                    | (5,920,536)           | (404,015)      | -                | (6,324,551)           |
| Total accumulated depreciation.....                    | (11,574,887)          | (720,344)      | -                | (12,295,231)          |
| Total capital assets being depreciated, net.....       | 19,848,085            | (499,638)      | -                | 19,348,447            |
| Total water & sewer capital assets, net.....           | 20,494,067            | 119,502        | -                | 20,613,569            |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

|   | Balance at<br>6/30/18 | Increases  | Decreases | Balance at<br>6/30/19 |
|---|-----------------------|------------|-----------|-----------------------|
| <b>Recreation:</b>                                      |                       |            |           |                       |
| <u>Capital assets being depreciated:</u>                |                       |            |           |                       |
| Land improvements.....                                  | 364,965               | -          | -         | 364,965               |
| Buildings and improvements.....                         | 10,716                | -          | -         | 10,716                |
| Machinery and equipment.....                            | 16,840                | -          | -         | 16,840                |
| Total capital assets being depreciated.....             | 392,521               | -          | -         | 392,521               |
| <u>Less accumulated depreciation for:</u>               |                       |            |           |                       |
| Land improvements.....                                  | (361,612)             | (211)      | -         | (361,823)             |
| Buildings and improvements.....                         | (10,303)              | (214)      | -         | (10,517)              |
| Machinery and equipment.....                            | (1,310)               | (1,123)    | -         | (2,433)               |
| Total accumulated depreciation.....                     | (373,225)             | (1,548)    | -         | (374,773)             |
| Total capital assets being depreciated, net.....        | 19,296                | (1,548)    | -         | 17,748                |
| Total recreation capital assets, net.....               | 19,296                | (1,548)    | -         | 17,748                |
| Total business-type activities capital assets, net..... | \$ 20,513,363         | \$ 117,954 | \$ -      | \$ 20,631,317         |

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

|   |              |
|---|--------------|
| General government.....                                   | \$ 477,477   |
| Public safety.....  | 329,777      |
| Education.....  | 2,648,890    |
| Public works.....   | 1,050,254    |
| Health and human services.....                            | 6,772        |
| Culture and recreation.....                               | 442,974      |
| Total depreciation expense - governmental activities..... | \$ 4,956,144 |

**Business-Type Activities:**

|  |            |
|--|------------|
| Water & Sewer.....   | \$ 720,344 |
| Recreation.....  | 1,548      |
| Total depreciation expense - business-type activities..... | \$ 721,892 |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2019, are summarized below:

| Transfers Out:                  | Transfers In:       |                          |                             |                               |                            | Total               |
|---------------------------------|---------------------|--------------------------|-----------------------------|-------------------------------|----------------------------|---------------------|
|                                 | General Fund        | School Construction Fund | Nonmajor Governmental Funds | Water & Sewer Enterprise Fund | Recreation Enterprise Fund |                     |
| General Fund.....               | \$ -                | \$ 80,000                | \$ 508,353                  | \$ 4,820,809                  | \$ 175,000                 | \$ 5,584,162 (1)    |
| Nonmajor Governmental Funds..   | 474,080             | -                        | -                           | -                             | -                          | 474,080 (2)         |
| Water & Sewer Enterprise Fund.. | 902,000             | -                        | -                           | -                             | -                          | 902,000 (3)         |
| Recreation Enterprise Fund..... | 100,113             | -                        | -                           | -                             | -                          | 100,113 (3)         |
|                                 | <u>\$ 1,476,193</u> | <u>\$ 80,000</u>         | <u>\$ 508,353</u>           | <u>\$ 4,820,809</u>           | <u>\$ 175,000</u>          | <u>\$ 7,060,355</u> |

- (1) Represents transfers for Water & Sewer Enterprise Fund for budgeted subsidy (\$4,808,855), budgeted increase for Water & Sewer Enterprise Fund debt service (\$11,954), transfer for Recreation Enterprise Fund for budgeted subsidy (\$175,000), a budgeted transfer for the High School Construction Fund to pay down a short-term note (\$80,000) and a budgeted transfer to the Athletic Revolving Fund (\$508,353).
- (2) Represents budgeted transfers to the General Fund from the Parking Meter Special Revenue Fund (\$232,000) and the Cemetery Perpetual Care Fund (\$140,000). Also represents transfers from the SAFER grant program (\$8,886) and the close-out of the Custodial Detail Fund (\$93,194).
- (3) Represents transfers for indirect costs allocated to Water & Sewer (\$902,000) and Recreation (\$100,113) Enterprise Funds related to shared employees.

**NOTE 7 SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund and Enterprise Funds, respectively.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 SHORT-TERM FINANCING (CONTINUED)**

Details related to the short-term debt activity for the fiscal year ended June 30, 2019, is as follows:

**Governmental Funds**

| Type       | Description              | Origination Date | Maturity Date | Interest Rate | Balance at 6/30/2018 | Increases           | Decreases             | Balance at 6/30/2019 |
|------------|--------------------------|------------------|---------------|---------------|----------------------|---------------------|-----------------------|----------------------|
| BAN        | High School Remodel..... | 6/27/18          | 6/27/19       | 2.75%         | \$ 4,300,000         | \$ -                | \$ (4,300,000)        | \$ -                 |
| BAN        | High School Remodel..... | 6/27/19          | 6/26/20       | 2.00%         | -                    | 4,220,000           | -                     | 4,220,000            |
| Total..... |                          |                  |               |               | <u>\$ 4,300,000</u>  | <u>\$ 4,220,000</u> | <u>\$ (4,300,000)</u> | <u>\$ 4,220,000</u>  |

**Water & Sewer Enterprise Fund**

| Type       | Description                                    | Origination Date | Maturity Date | Interest Rate | Balance at 6/30/2018 | Increases   | Decreases           | Balance at 6/30/2019 |
|------------|--|------------------|---------------|---------------|----------------------|-------------|---------------------|----------------------|
| BAN        | Thornberry Road Pumping Station.....           | 6/27/18          | 6/27/19       | 2.75%         | \$ 350,000           | \$ -        | \$ (350,000)        | \$ -                 |
| BAN        | Additional Thornberry Road Pumping Station.... | 6/27/18          | 6/27/19       | 2.75%         | 75,000               | -           | (75,000)            | -                    |
| Total..... |  |                  |               |               | <u>\$ 425,000</u>    | <u>\$ -</u> | <u>\$ (425,000)</u> | <u>\$ -</u>          |

**NOTE 8 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2019:

|                                    | Balance at 6/30/18    | Increases         | Decreases             | Balance at 6/30/19    | Current Portion     |
|------------------------------------|-----------------------|-------------------|-----------------------|-----------------------|---------------------|
| <b>Governmental Activities:</b>    |                       |                   |                       |                       |                     |
| Bonds and notes payable.....       | \$ 138,044,736        | \$ -              | \$ (7,644,566)        | \$ 130,400,170        | \$ 7,610,000        |
| Unamortized bond premiums.....     | 5,574,605             | -                 | (206,089)             | 5,368,516             | -                   |
| Total bonds and notes payable..... | 143,619,341           | -                 | (7,850,655)           | 135,768,686           | 7,610,000           |
| Workers' compensation claims.....  | 173,105               | 126,080           | (175,894)             | 123,291               | 92,468              |
| Compensated absences.....          | 1,556,099             | 28,678            | -                     | 1,584,777             | 158,478             |
| Total.....                         | <u>\$ 145,348,545</u> | <u>\$ 154,758</u> | <u>\$ (8,026,549)</u> | <u>\$ 137,476,754</u> | <u>\$ 7,860,946</u> |

The governmental activities long-term liabilities are generally liquidated by the General Fund.

|                                  | Balance at 6/30/18  | Increases   | Decreases             | Balance at 6/30/19  | Current Portion   |
|----------------------------------|---------------------|-------------|-----------------------|---------------------|-------------------|
| <b>Business-type Activities:</b> |                     |             |                       |                     |                   |
| Bonds and notes payable.....     | \$ 7,960,594        | \$ -        | \$ (1,149,247)        | \$ 6,811,347        | \$ 992,650        |
| Compensated absences.....        | 58,637              | -           | (7,330)               | 51,307              | 5,131             |
| Total.....                       | <u>\$ 8,019,231</u> | <u>\$ -</u> | <u>\$ (1,156,577)</u> | <u>\$ 6,862,654</u> | <u>\$ 997,781</u> |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2019, and the debt service requirements are as follows:

**Bonds and Notes Payable - Governmental Funds**

| Date of Issue                      | Maturity Date | Original Issue | Project  | Interest Rate | Outstanding at 6/30/18 | Issued      | Redeemed              | Outstanding at 6/30/19 |
|------------------------------------|---------------|----------------|--|---------------|------------------------|-------------|-----------------------|------------------------|
| 10/25/00                           | 08/01/18      | \$ 72,121      | MCWT (formerly MWPAT).....                       | 4.96%         | \$ 4,006               | \$ -        | \$ (4,006)            | \$ -                   |
| 07/01/05                           | 07/01/19      | 765,490        | School building remodeling refunding.....        | 3.82%         | 140,500                | -           | (70,500)              | 70,000                 |
| 07/01/05                           | 07/01/19      | 165,260        | School engineering refunding.....                | 3.82%         | 30,060                 | -           | (15,060)              | 15,000                 |
| 07/01/05                           | 07/01/24      | 3,143,000      | School remodeling.....                           | 3.92%         | 1,170,000              | -           | (165,000)             | 1,005,000              |
| 07/01/05                           | 07/01/24      | 375,000        | Town building remodeling.....                    | 3.91%         | 135,000                | -           | (20,000)              | 115,000                |
| 07/01/05                           | 07/01/19      | 272,000        | Equipment and planning.....                      | 3.51%         | 10,000                 | -           | (5,000)               | 5,000                  |
| 07/01/05                           | 07/01/24      | 375,000        | Drainage - cross street.....                     | 3.90%         | 135,000                | -           | (20,000)              | 115,000                |
| 07/01/06                           | 07/01/25      | 440,000        | Building remodeling.....                         | 4.25%         | 165,000                | -           | (25,000)              | 140,000                |
| 07/01/06                           | 07/01/25      | 900,150        | School remodeling.....                           | 4.24%         | 480,000                | -           | (60,000)              | 420,000                |
| 07/01/06                           | 07/01/24      | 490,200        | Lincoln school.....                              | 4.26%         | 175,000                | -           | (25,000)              | 150,000                |
| 07/01/06                           | 07/01/25      | 1,660,000      | Ambrose school.....                              | 4.24%         | 680,000                | -           | (85,000)              | 595,000                |
| 07/01/06                           | 07/01/25      | 412,850        | Building remodeling & plans.....                 | 4.25%         | 120,000                | -           | (15,000)              | 105,000                |
| 07/01/08                           | 07/01/25      | 2,968,000      | School remodeling.....                           | 4.13%         | 1,390,000              | -           | (175,000)             | 1,215,000              |
| 07/01/08                           | 07/01/22      | 1,100,000      | School classrooms.....                           | 4.08%         | 390,000                | -           | (80,000)              | 310,000                |
| 07/01/08                           | 07/01/27      | 562,000        | McCall middle school design.....                 | 4.18%         | 290,000                | -           | (30,000)              | 260,000                |
| 07/01/08                           | 07/01/27      | 128,000        | Building remodeling and plans.....               | 4.15%         | 56,000                 | -           | (8,000)               | 48,000                 |
| 07/01/08                           | 07/01/28      | 6,188,000      | McCall middle school addition.....               | 4.21%         | 3,390,000              | -           | (310,000)             | 3,080,000              |
| 07/01/08                           | 07/01/28      | 1,556,000      | Public safety building.....                      | 4.21%         | 824,000                | -           | (81,000)              | 743,000                |
| 07/01/08                           | 07/01/28      | 2,100,000      | Town hall.....                                   | 4.20%         | 1,145,000              | -           | (106,000)             | 1,039,000              |
| 07/01/08                           | 07/01/28      | 390,000        | Transfer station/landfill use restoration.....   | 4.25%         | 210,000                | -           | (20,000)              | 190,000                |
| 05/01/09                           | 05/01/29      | 1,644,000      | Public safety building.....                      | 3.53%         | 880,000                | -           | (80,000)              | 800,000                |
| 05/01/09                           | 05/01/29      | 1,000,000      | DPW complex.....                                 | 3.55%         | 550,000                | -           | (50,000)              | 500,000                |
| 05/01/09                           | 05/01/24      | 1,350,000      | Manchester field.....                            | 3.24%         | 540,000                | -           | (90,000)              | 450,000                |
| 05/01/09                           | 05/01/29      | 960,000        | Fire alarms/corridor/ADA.....                    | 3.53%         | 510,000                | -           | (50,000)              | 460,000                |
| 08/15/09                           | 08/15/20      | 8,667,000      | School construction refunding.....               | 3.23%         | 2,690,000              | -           | (910,000)             | 1,780,000              |
| 04/15/10                           | 04/15/25      | 1,282,000      | Muraco School HVAC.....                          | 3.22%         | 595,000                | -           | (85,000)              | 510,000                |
| 04/15/10                           | 04/15/29      | 220,000        | DPW Repairs.....                                 | 3.37%         | 110,000                | -           | (10,000)              | 100,000                |
| 04/28/11                           | 04/15/36      | 16,000,000     | Vinson-Owen School.....                          | 4.05%         | 11,520,000             | -           | (640,000)             | 10,880,000             |
| 04/28/11                           | 04/15/31      | 970,000        | Lynch School roof repairs.....                   | 3.65%         | 620,000                | -           | (50,000)              | 570,000                |
| 04/28/11                           | 04/15/26      | 100,000        | Muraco School HVAC.....                          | 3.28%         | 40,000                 | -           | (5,000)               | 35,000                 |
| 04/28/11                           | 04/15/31      | 3,962,000      | Flood mitigation.....                            | 3.68%         | 2,560,000              | -           | (200,000)             | 2,360,000              |
| 05/16/12                           | 07/01/24      | 3,832,150      | Ambrose School.....                              | 2.00%         | 2,452,350              | -           | (380,850)             | 2,071,500              |
| 05/16/12                           | 07/01/24      | 2,389,000      | Lincoln School I.....                            | 2.00%         | 1,541,000              | -           | (242,000)             | 1,299,000              |
| 05/16/12                           | 07/01/24      | 102,500        | Lincoln School II (comp).....                    | 2.00%         | 65,500                 | -           | (10,000)              | 55,500                 |
| 05/16/12                           | 07/01/24      | 490,500        | Capital improvements.....                        | 2.00%         | 235,000                | -           | (62,000)              | 173,000                |
| 05/16/12                           | 07/01/24      | 40,350         | Sewer & Dam.....                                 | 2.00%         | 21,150                 | -           | (5,650)               | 15,500                 |
| 05/16/12                           | 07/01/24      | 108,500        | Sewer.....                                       | 2.00%         | 70,000                 | -           | (11,000)              | 59,000                 |
| 05/16/12                           | 07/01/24      | 148,500        | Roads.....                                       | 2.00%         | 70,000                 | -           | (23,500)              | 46,500                 |
| 05/16/12                           | 07/01/24      | 630,000        | Flood mitigation - Center Falls Dam.....         | 2.00%         | 330,000                | -           | (50,000)              | 280,000                |
| 07/01/14                           | 07/01/34      | 1,770,000      | Vinson-Owen School.....                          | 3.20%         | 1,498,500              | -           | (90,500)              | 1,408,000              |
| 07/01/14                           | 07/01/34      | 850,000        | High School feasibility study.....               | 3.20%         | 716,500                | -           | (44,500)              | 672,000                |
| 07/01/15                           | 07/01/21      | 30,715         | High School feasibility study.....               | 5.00%         | 20,170                 | -           | (5,000)               | 15,170                 |
| 07/01/15                           | 07/01/44      | 30,000,000     | High School construction.....                    | 5.00%         | 28,885,000             | -           | (1,080,000)           | 27,805,000             |
| 07/01/15                           | 07/01/35      | 230,000        | Vinson-Owen School.....                          | 5.00%         | 200,000                | -           | (15,000)              | 185,000                |
| 10/15/15                           | 10/15/35      | 3,420,000      | Land Acquisition.....                            | 3.44%         | 3,070,000              | -           | (175,000)             | 2,895,000              |
| 07/01/15                           | 07/01/45      | 29,969,285     | High School construction.....                    | 5.00%         | 28,335,000             | -           | (1,015,000)           | 27,320,000             |
| 10/27/16                           | 10/15/45      | 20,000,000     | High School construction.....                    | 3.22%         | 19,895,000             | -           | (420,000)             | 19,475,000             |
| 06/27/18                           | 06/30/43      | 3,862,500      | Skillings Field Construction & Remediation... .. | 2.00%         | 3,862,500              | -           | (92,500)              | 3,770,000              |
| 06/27/18                           | 06/30/32      | 2,110,800      | Skillings Field Design & Construction.....       | 2.00%         | 2,110,800              | -           | (110,000)             | 2,000,800              |
| 06/27/18                           | 06/30/33      | 300,000        | Skillings Field Athletic Lighting.....           | 2.00%         | 300,000                | -           | (15,000)              | 285,000                |
| 06/27/18                           | 06/30/43      | 317,500        | Vinson-Owen School.....                          | 2.00%         | 317,500                | -           | (7,500)               | 310,000                |
| 06/27/18                           | 06/30/43      | 6,024,200      | McCall Middle School Phase II.....               | 2.00%         | 6,024,200              | -           | (145,000)             | 5,879,200              |
| 06/27/18                           | 06/15/43      | 6,470,000      | Aberjona River Culvert.....                      | 2.00%         | 6,470,000              | -           | (155,000)             | 6,315,000              |
| Total governmental funds.....      |               |                |  |               | <u>\$ 138,044,736</u>  | <u>\$ -</u> | <u>\$ (7,644,566)</u> | <u>\$ 130,400,170</u>  |
| Unamortized premiums.....          |               |                |  |               | <u>5,574,605</u>       |             | <u>(206,089)</u>      | <u>5,368,516</u>       |
| Total governmental funds, net..... |               |                |  |               | <u>\$ 143,619,341</u>  | <u>\$ -</u> | <u>\$ (7,850,655)</u> | <u>\$ 135,768,686</u>  |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable - Governmental Funds (Continued)**

Debt service requirements (gross) for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

| Fiscal Year | Principal             | Interest             | Total                 |
|-------------|-----------------------|----------------------|-----------------------|
| 2020.....   | \$ 7,610,000          | \$ 4,946,049         | \$ 12,556,049         |
| 2021.....   | 7,510,000             | 4,649,846            | 12,159,846            |
| 2022.....   | 6,615,170             | 4,370,620            | 10,985,790            |
| 2023.....   | 6,620,000             | 4,104,232            | 10,724,232            |
| 2024.....   | 6,540,000             | 3,835,835            | 10,375,835            |
| 2025.....   | 6,440,000             | 3,565,692            | 10,005,692            |
| 2026.....   | 5,630,000             | 3,304,946            | 8,934,946             |
| 2027.....   | 5,320,000             | 3,059,834            | 8,379,834             |
| 2028.....   | 5,370,000             | 2,819,614            | 8,189,614             |
| 2029.....   | 5,365,000             | 2,598,662            | 7,963,662             |
| 2030.....   | 4,790,000             | 2,406,901            | 7,196,901             |
| 2031.....   | 4,775,000             | 2,225,422            | 7,000,422             |
| 2032.....   | 4,650,000             | 2,046,282            | 6,696,282             |
| 2033.....   | 4,480,000             | 1,873,288            | 6,353,288             |
| 2034.....   | 4,505,000             | 1,704,547            | 6,209,547             |
| 2035.....   | 4,550,000             | 1,533,641            | 6,083,641             |
| 2036.....   | 4,460,000             | 1,365,520            | 5,825,520             |
| 2037.....   | 3,700,000             | 1,206,069            | 4,906,069             |
| 2038.....   | 3,750,000             | 1,080,218            | 4,830,218             |
| 2039.....   | 3,800,000             | 951,444              | 4,751,444             |
| 2040.....   | 3,855,000             | 819,195              | 4,674,195             |
| 2041.....   | 3,915,000             | 680,599              | 4,595,599             |
| 2042.....   | 3,985,000             | 536,118              | 4,521,118             |
| 2043.....   | 4,045,000             | 389,299              | 4,434,299             |
| 2044.....   | 3,080,000             | 240,492              | 3,320,492             |
| 2045.....   | 2,965,000             | 128,575              | 3,093,575             |
| 2046.....   | 2,075,000             | 36,940               | 2,111,940             |
| Total.....  | <u>\$ 130,400,170</u> | <u>\$ 56,479,880</u> | <u>\$ 186,880,050</u> |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Water & Sewer Enterprise Fund**

| Date of Issue                           | Maturity Date | Original Issue | Project                                | Interest Rate | Outstanding at 6/30/18 | Issued      | Redeemed              | Outstanding at 6/30/19 |
|---|---------------|----------------|--|---------------|------------------------|-------------|-----------------------|------------------------|
| 07/01/05                                | 07/01/19      | 2,515,470      | Water mains refunding.....             | 3.81%         | \$ 455,440             | \$ -        | \$ (229,640)          | \$ 225,800             |
| 07/01/05                                | 07/01/19      | 448,780        | Water mains II refunding.....          | 3.81%         | 79,000                 | -           | (39,800)              | 39,200                 |
| 7/1/2006                                | 07/01/26      | 2,149,000      | Drainage.....                          | 4.46%         | 940,000                | -           | (105,000)             | 835,000                |
| 05/01/09                                | 04/15/29      | 750,000        | Phase III drainage.....                | 3.53%         | 390,000                | -           | (40,000)              | 350,000                |
| 4/15/2010                               | 04/15/29      | 1,688,000      | Drainage.....                          | 3.43%         | 990,000                | -           | (90,000)              | 900,000                |
| 5/16/2012                               | 07/01/24      | 210,000        | Sewer pump stations.....               | 2.00%         | 105,000                | -           | (15,000)              | 90,000                 |
| 05/16/12                                | 07/01/24      | 1,625,000      | Drainage refunding.....                | 2.00%         | 1,045,000              | -           | (160,000)             | 885,000                |
| 02/24/14                                | 02/15/19      | 510,785        | Sewer (MWRA).....                      | 0.00%         | 102,156                | -           | (102,156)             | -                      |
| 07/01/14                                | 07/01/34      | 308,000        | Drainage.....                          | 3.20%         | 255,000                | -           | (15,000)              | 240,000                |
| 07/01/14                                | 07/01/34      | 198,000        | Dam improvement planning.....          | 4.00%         | 45,000                 | -           | (45,000)              | -                      |
| 07/01/14                                | 07/01/34      | 296,000        | Sewer system repairs.....              | 3.19%         | 250,000                | -           | (15,000)              | 235,000                |
| 3/15/2015                               | 02/15/25      | 167,750        | Sewer (MWRA).....                      | 0.00%         | 117,425                | -           | (16,775)              | 100,650                |
| 5/5/2015                                | 02/15/25      | 500,000        | Water (MWRA).....                      | 0.00%         | 350,000                | -           | (50,000)              | 300,000                |
| 7/1/2015                                | 07/01/35      | 1,300,000      | South Reservoir Dam Improvements I...  | 5.00%         | 1,170,000              | -           | (65,000)              | 1,105,000              |
| 7/1/2015                                | 07/01/35      | 310,000        | South Reservoir Dam Improvements II... | 5.00%         | 270,000                | -           | (15,000)              | 255,000                |
| 8/22/2016                               | 08/15/26      | 21,775         | Sewer (MWRA).....                      | 0.00%         | 19,598                 | -           | (2,178)               | 17,420                 |
| 2/27/2017                               | 02/15/27      | 600,000        | Sewer (MWRA).....                      | 0.00%         | 540,000                | -           | (60,000)              | 480,000                |
| 8/14/2017                               | 08/14/27      | 161,975        | Water (MWRA).....                      | 0.00%         | 161,975                | -           | (16,198)              | 145,777                |
| 6/11/2018                               | 06/15/28      | 675,000        | Water (MWRA).....                      | 0.00%         | 675,000                | -           | (67,500)              | 607,500                |
| Total water & sewer enterprise fund.... |               |                |  |               | <u>\$ 7,960,594</u>    | <u>\$ -</u> | <u>\$ (1,149,247)</u> | <u>\$6,811,347</u>     |

The MWRA operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and noninterest-bearing loan (payable in five or ten equal annual installments). At June 30, 2019, the outstanding principal amount of these loans totaled \$1,651,347.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Water & Sewer Enterprise Fund (Continued)**

Debt service requirements (gross) for principal and interest for Water & Sewer Enterprise Fund bonds and notes payable in future fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>        |
|--------------------|---------------------|--------------------|---------------------|
| 2020.....          | \$ 992,650          | \$ 173,134         | \$ 1,165,784        |
| 2021.....          | 722,650             | 150,396            | 873,046             |
| 2022.....          | 717,650             | 133,682            | 851,332             |
| 2023.....          | 712,650             | 116,914            | 829,564             |
| 2024.....          | 707,650             | 100,119            | 807,769             |
| 2025.....          | 702,650             | 83,119             | 785,769             |
| 2026.....          | 485,875             | 67,721             | 553,596             |
| 2027.....          | 480,876             | 53,957             | 534,833             |
| 2028.....          | 318,696             | 42,260             | 360,956             |
| 2029.....          | 235,000             | 33,366             | 268,366             |
| 2030.....          | 110,000             | 25,082             | 135,082             |
| 2031.....          | 110,000             | 21,382             | 131,382             |
| 2032.....          | 110,000             | 17,263             | 127,263             |
| 2033.....          | 110,000             | 13,107             | 123,107             |
| 2034.....          | 110,000             | 8,933              | 118,933             |
| 2035.....          | 105,000             | 4,822              | 109,822             |
| 2036.....          | 80,000              | 1,399              | 81,399              |
| Total.....         | <u>\$ 6,811,347</u> | <u>\$1,046,656</u> | <u>\$ 7,858,003</u> |

**Authorized and Unissued Debt**

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2019, the Town had the following authorized and unissued debt:

| <u>Purpose</u>                                 | <u>Amount</u>        |
|--|----------------------|
| Water & Sewer.....                             | \$ 7,803,570         |
| McCall Middle School Expansion.....            | 5,700,000            |
| High School Remodeling.....                    | 4,230,041            |
| Swanton Street Bridge Improvement Project..... | 2,800,000            |
| Aberjona River Flood Mitigation.....           | 750,000              |
| Total.....                                     | <u>\$ 21,283,611</u> |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

General Information

**Plan Description** – The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process and/or Select Board vote. The Plan does not issue a stand-alone financial report.

The number of participants as of July 1, 2018, the latest actuarial valuation, is as follows:

|  |                     |
|--|---------------------|
| Active employees.....                                | 829                 |
| Retired employees, beneficiaries and dependents..... | <u>590</u>          |
| Total.....   | <u><u>1,419</u></u> |

**Funding Policy** - The contribution requirements of Plan members and the Town are established and may be amended by the Select Board. As of July 1, 2018, the required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 25 - 50% and 50 - 75%, respectively. The Plan members and Town each contribute 50% towards a \$4,000 term life insurance policy. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis and may contribute additional amounts to pre-fund benefits. The costs of administering the Plan are paid by the Town.

The annual money-weighted rate of return on OPEB plan investments was 5.48%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amount actually invested.

**Significant Actuarial Methods and Assumptions** - The Plan's total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date in accordance with GASB Statement No. 75:

|                              |   |
|------------------------------|---|
| Discount Rate:               | 4.00%, using a blend of the Municipal Bond Rate for unfunded periods and the Investment Rate of Return for funded periods   |
| Healthcare Cost Trend Rates: | 4.50%   |
| Mortality - Non-Teachers:    | Pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for disabled members is represented by the RP-2014 Mortality Table with Scale MP-2016, set forward one year. |
| Mortality - Teachers:        | Retiree mortality and beneficiary mortality are represented by the RP-2014 Mortality with Scale MP-2016, fully generational.  |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Investment Policy** – The OPEB plan’s assets are managed on a total return basis with a long-term objective. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class include in the target asset allocation as of June 30, 2019 are summarized in the following table:

| Asset Class                     | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|-------------------|--|
| Domestic Equities.....          | 39.00%            | 4.00%                                  |
| International Equities.....     | 25.50%            | 5.20%                                  |
| Domestic Fixed Income.....      | 17.50%            | 2.00%                                  |
| International Fixed Income..... | 8.50%             | 3.00%                                  |
| Alternatives.....               | 1.25%             | 6.50%                                  |
| Cash and Cash Equivalents.....  | 8.25%             | 0.00%                                  |
| Total.....                      | <u>100.00%</u>    |  |

Plan Reporting

**Components of the Net OPEB Liability** – The following table represents the components of the Plan’s Net OPEB liability as of the measurement date of June 30, 2019:

|  |                       |
|--|-----------------------|
| Total OPEB liability.....  | \$ 128,695,134        |
| Plan fiduciary net position.....   | <u>(3,336,900)</u>    |
| Net OPEB liability.....  | <u>\$ 125,358,234</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 2.59%                 |

**Sensitivity of the net OPEB liability to changes in the discount rate** – The following presents the net OPEB liability of the Plan, as well as what the Plan’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|                         | 1% Decrease<br>(3.00%) | Current Discount<br>Rate (4.00%) | 1% Increase<br>(5.00%) |
|-------------------------|------------------------|----------------------------------|------------------------|
| Net OPEB Liability..... | \$ 147,012,628         | \$ 125,358,234                   | 108,253,789            |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

***Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates*** – The following presents the net OPEB liability of the Plan, as well as what the Plan’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

|                         | 1% Decrease    | Healthcare Cost<br>Trend Rates | 1% Increase    |
|-------------------------|----------------|--------------------------------|----------------|
| Net OPEB Liability..... | \$ 106,397,317 | \$ 125,358,234                 | \$ 149,674,363 |

Employer Reporting

***Net OPEB Liabilities*** – The following table represents the components of the Town’s net OPEB liability as of the measurement date of June 30, 2019:

|  | Total OPEB<br>Liability<br>(a) | Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
|--|--------------------------------|----------------------------------|------------------------------------|
| Balance at June 30, 2018.....                          | \$ 86,805,009                  | \$ -                             | \$ 86,805,009                      |
| Changes for the year:                                  |                                |                                  |                                    |
| Service Cost.....                                      | 4,225,561                      | -                                | 4,225,561                          |
| Interest.....  | 3,340,032                      | -                                | 3,340,032                          |
| Changes of benefit terms.....                          | 22,779,680                     | -                                | 22,779,680                         |
| Differences between expected and actual experience.... | 3,438,391                      | -                                | 3,438,391                          |
| Changes of assumptions.....                            | 12,069,052                     | -                                | 12,069,052                         |
| Contributions- employer.....                           | -                              | 7,140,108                        | (7,140,108)                        |
| Net investment income.....                             | -                              | 159,383                          | (159,383)                          |
| Benefit payments.....                                  | (3,962,591)                    | (3,962,591)                      | -                                  |
| Net Changes.....                                       | 41,890,125                     | 3,336,900                        | 38,553,225                         |
| Balance at June 30, 2019                               | \$ 128,695,134                 | \$ 3,336,900                     | \$ 125,358,234                     |

The sensitivity of the Town’s net OPEB liabilities to changes in the discount rate and healthcare trend rates is the same as the Plan’s since the Town is the only employer included in the Plan.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*** – For the year ended June 30, 2019, the Town recognized OPEB expense of \$25,319,094. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Total         |
|---|-----------------------------------|----------------------------------|---------------|
| Differences between expected and actual experience..... | \$ 2,945,785                      | \$ -                             | \$ 2,945,785  |
| Changes of assumptions.....                             | 10,339,962                        | -                                | 10,339,962    |
| Differences between projected and actual earnings.....  | -                                 | (51,616)                         | (51,616)      |
|   | \$ 13,285,747                     | \$ (51,616)                      | \$ 13,234,131 |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | Amount        |
|---------------------|---------------|
| 2020.....           | \$ 2,208,792  |
| 2021.....           | 2,208,792     |
| 2022.....           | 2,208,792     |
| 2023.....           | 2,208,792     |
| 2024.....           | 2,221,696     |
| Thereafter.....     | 2,177,267     |
|                     | \$ 13,234,131 |

**NOTE 11 RISK FINANCING**

Property and Liability Insurance and Health Insurance

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years. The Town participates in a premium-based health-care plan for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

Workers' Compensation and Unemployment Insurance

The Town is self-insured for its workers' compensation and unemployment activities. These activities are accounted for in the General Fund where expenses are recorded when incurred. Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type.

The liability at June 30, 2019, totaled \$123,291. Changes in the reported liability since July 1, 2017, are as follows:

|                       | Balance at<br>Beginning of<br>Fiscal Year | Current Year<br>Claims and<br>Changes in<br>Estimate | Claims<br>Payments | Balance at<br>Fiscal<br>Year-end |
|-----------------------|---|--|--------------------|----------------------------------|
| Fiscal year 2018..... | \$ 249,255                                | \$ 82,753  | \$ (158,903)       | \$ 173,105                       |
| Fiscal year 2019..... | \$ 173,105                                | \$ 126,080   | \$ (175,894)       | \$ 123,291                       |

The Town's liability for unemployment claims is immaterial at June 30, 2019, and therefore is not reported.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 12 FUND BALANCE**

The constraints on fund balances in the Governmental Funds Balance Sheet are detailed as follows:

|                                     | <u>General</u>       | <u>School<br/>Construction</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------|----------------------|--------------------------------|--|---|
| <b>Nonspendable:</b>                |                      |                                |  |   |
| Permanent fund principal.....       | \$ -                 | \$ -                           | \$ 2,685,572                               | \$ 2,685,572                            |
| <b>Restricted for:</b>              |                      |                                |  |   |
| Debt service.....                   | 54,946               | -                              | -  | 54,946                                  |
| School construction.....            | -                    | 1,485,253                      | -  | 1,485,253                               |
| Flood mitigation.....               | -                    | -                              | 5,839                                      | 5,839                                   |
| Library endowment.....              | -                    | -                              | 2,111,421                                  | 2,111,421                               |
| Housing funds.....                  | -                    | -                              | 947,587                                    | 947,587                                 |
| Conservation fund.....              | -                    | -                              | 90,345                                     | 90,345                                  |
| Sale of land receipts reserved..... | -                    | -                              | 247,561                                    | 247,561                                 |
| Aberjona River widening.....        | -                    | -                              | 4,716                                      | 4,716                                   |
| SPED Circuit Breaker.....           | -                    | -                              | 341,540                                    | 341,540                                 |
| School lunch.....                   | -                    | -                              | 761,972                                    | 761,972                                 |
| Miscellaneous capital.....          | -                    | -                              | 3,537                                      | 3,537                                   |
| Workers' compensation.....          | -                    | -                              | 10,742                                     | 10,742                                  |
| Skilling Field Remediation.....     | -                    | -                              | 22,023                                     | 22,023                                  |
| Aberjona Flood Mitigation.....      | -                    | -                              | 177,116                                    | 177,116                                 |
| General government.....             | -                    | -                              | 474,945                                    | 474,945                                 |
| Public safety.....                  | -                    | -                              | 747,675                                    | 747,675                                 |
| Education.....                      | -                    | -                              | 1,332,913                                  | 1,332,913                               |
| Public works.....                   | -                    | -                              | 1,392,017                                  | 1,392,017                               |
| Health and human services.....      | -                    | -                              | 333,900                                    | 333,900                                 |
| Culture and recreation.....         | -                    | -                              | 825,670                                    | 825,670                                 |
| Sub-total - Restricted....          | <u>54,946</u>        | <u>1,485,253</u>               | <u>9,831,519</u>                           | <u>11,371,718</u>                       |
| <b>Committed to:</b>                |                      |                                |  |   |
| Subsequent year's expenditures....  | 367,630              | -                              | -  | 367,630                                 |
| Building stabilization.....         | 2,804,930            | -                              | -  | 2,804,930                               |
| Capital stabilization.....          | 2,171,425            | -                              | -  | 2,171,425                               |
| Continuing appropriations.....      | 2,190,071            | -                              | -  | 2,190,071                               |
| Sub-total - Committed...            | <u>7,534,056</u>     | <u>-</u>                       | <u>-</u>                                   | <u>7,534,056</u>                        |
| <b>Assigned to:</b>                 |                      |                                |  |   |
| Encumbrances.....                   | 1,695,458            | -                              | -  | 1,695,458                               |
| <b>Unassigned.....</b>              | <u>14,428,624</u>    | <u>-</u>                       | <u>(152,844)</u>                           | <u>14,275,780</u>                       |
| <b>Total.....</b>                   | <u>\$ 23,713,084</u> | <u>\$ 1,485,253</u>            | <u>\$ 12,364,247</u>                       | <u>\$ 37,562,584</u>                    |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 STABILIZATION FUNDS**

The Town maintains the following stabilization funds that were established under MGL Chapter 40, Section 5B and Chapter 69 of the Acts of 2002:

- General Stabilization Fund (general and/or capital purposes)
- Building Stabilization Fund (approved by Proposition 2<sup>1/2</sup> override)
- Capital Stabilization Fund (approved by Proposition 2<sup>1/2</sup> override)

Appropriations in and out of the stabilization funds require two-thirds vote of Town Meeting. Investment income is retained by the funds.

The balance of the General, Building, and Capital Stabilization Funds at June 30, 2019 total \$4,462,153, \$2,804,930, and \$2,171,425, respectively, and are reported in the general fund as unassigned (\$4,462,153) and committed (\$4,976,355) fund balance.

**NOTE 14 PENSION PLAN**

**Plan Description** - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Winchester Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System. The System also covers eligible employees of the Winchester Housing Authority.

As of the most recent actuarial valuation, the System's membership consisted of the following:

|  |     |
|--|-----|
| Active members.....  | 364 |
| Inactive - entitled to or receiving benefits.....            | 19  |
| Inactive - not entitled to or not receiving benefits.....    | 155 |
| Retirees and beneficiaries currently receiving benefits..... | 274 |
| Total members.....   | 812 |
| Number of participating employers.....                       | 2   |

The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, a fourth member appointed by the Select Board and a fifth member appointed by the Winchester Retirement Board's members.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 PENSION PLAN (CONTINUED)**

**Benefits Provided** - The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to MGL Chapter 32, up to a maximum of 80% of the average of a member's three (if hired before April 1, 2012) or five (if hired on or after April 1, 2012) highest consecutive years' regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55 (if hired before April 1, 2012) or 60 (if hired on or after April 1, 2012), with 10 years of service. Normal retirement for most employees occurs at age 65 (if hired before April 1, 2012) or 67 (if hired on or after April 1, 2012), except for certain hazardous duty and public safety employees who attain normal retirement at age 55 (if hired before April 1, 2012) or 57 (if hired on or after April 1, 2012).

**Contributions** – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired on or after January 1, 1979 will contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2018, active member contributions totaled \$2,034,000 and employer contributions totaled \$4,838,784. Contributions to the System from the Town were \$4,800,074 for the year ended June 30, 2019.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The components of the net pension liability of the System at December 31, 2018, were as follows:

|   |    |                      |
|---|----|----------------------|
| Total pension liability.....  | \$ | 153,881,000          |
| Plan fiduciary net position.....  |    | <u>(118,319,085)</u> |
| Net pension liability.....  | \$ | <u>35,561,915</u>    |
| Plan fiduciary net position as a percentage of the total pension liability..... |    | 76.89%               |

At June 30, 2019, the Town reported a liability of \$35,277,420 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 that was rolled back to December 31, 2018. The Town's share of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2018, actuarially determined. At December 31, 2018, the Town's share was 99.20%.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 PENSION PLAN (CONTINUED)**

For the year ended June 30, 2019, the Town recognized pension expense of approximately \$8,680,000. At June 30, 2019, the Town reported deferred outflows of resources related to pensions of \$10,707,648, consisting of changes in assumptions of \$4,506,656 and the net difference between projected and actual investment earnings of \$6,200,992. At June 30, 2019, the Town reported deferred inflows of resources related to pensions of \$2,508,768, consisting of net differences between expected and actual experience.

The net amount reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30: | Amount       |
|----------------------|--------------|
| 2020.....            | \$ 3,629,728 |
| 2021.....            | 1,240,000    |
| 2022.....            | 885,856      |
| 2023.....            | 2,443,296    |
|                      | \$ 8,198,880 |

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2018:

|                                |  |
|--------------------------------|--|
| Actuarial cost method:         | Entry age normal   |
| Amortization method:           | Increasing payments 7.75% per year   |
| Remaining amortization period: | 10 years   |
| Asset valuation method:        | Market value   |
| Investment rate of return:     | 7.0%, net of pension plan investment expense, including inflation                        |
| Inflation rate:                | Not explicitly assumed   |
| Salary increases:              | 4.25% per year for Group 1 and 4.75% per year for Group 4                                |
| Cost of living adjustment:     | Effective July 1, 2020, 3.0% on the first \$14,000 in benefits (was previously \$12,000) |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 PENSION PLAN (CONTINUED)**

Mortality rates:                      Pre-Retirement - RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2018 (gender distinct).

    Healthy Retiree - RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2018 (gender distinct).

    Disabled Retiree - RP-2014 Blue Collar Healthy Annuitant Table set forward 1 year projected generationally with Scale MP-2018 (gender distinct).

Investment Policies and Rates of Return

Deposits and investments made by the System are governed by Chapter 32 of the MGL.

For the year ended December 31, 2018, the annual money-weighted rate of return on System investments, net of investment expense, was -3.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>             | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------|--------------------------|---|
| Domestic Equities.....         | 17.00%                   | 7.62%   |
| International Equities.....    | 14.90%                   | 7.80%   |
| Emerging Markets Equities..... | 6.00%                    | 9.31%   |
| Core Fixed Income.....         | 13.00%                   | 4.07%   |
| Value-Added Fixed Income.....  | 8.30%                    | 7.58%   |
| Private Equity.....            | 12.10%                   | 11.15%  |
| Real Estate.....               | 9.40%                    | 6.59%   |
| Timberland.....                | 4.10%                    | 7.00%   |
| Hedge Funds and Other.....     | 15.20%                   | 6.83%   |
| Total.....                     | <u>100.00%</u>           |   |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 PENSION PLAN (CONTINUED)**

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System calculated using the discount rate of 7.0%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

|                                     | 1% Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|-------------------------------------|-----------------------|------------------------------------|-----------------------|
| System's net pension liability..... | \$ 53,031,000         | \$ 35,561,915                      | \$ 20,799,000         |

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

|   | 1% Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|---|-----------------------|------------------------------------|-----------------------|
| Town's proportionate share of the<br>net pension liability..... | \$ 52,606,752         | \$ 35,277,420                      | \$ 20,632,608         |

Legally Required Reserve Accounts – The balance in the System's legally required reserves as of December 31, 2018 are as follows:

| Description                | Amount         | Purpose  |
|----------------------------|----------------|--|
| Annuity Savings Fund.....  | \$ 24,344,830  | Active members' contribution balance           |
| Annuity Reserve Fund.....  | 5,549,438      | Retired members' contribution account          |
| Military Service Fund..... | 27,692         | Military leave of absence contribution balance |
| Pension Reserve Fund.....  | 85,819,644     | Amounts appropriated to fund future retirement |
| Pension Fund.....          | 2,577,481      | Remaining net position                         |
| Total.....                 | \$ 118,319,085 |  |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**Plan description** - Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be found at: <https://www.macomptroller.org/cafr>.

**Benefits provided** - MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. MGL establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

**Contributions** - The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-9% of regular compensation. Members hired on or after January 1, 1979 will contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2019. The Commonwealth's net pension liability associated with the Town was \$122,941,324.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

The MTRS' net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$12,458,323 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

**Actuarial assumptions** - The MTRS' total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

Investment rate of return – 7.35%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

Mortality Rates - Pre-retirement reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). Post-retirement reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct). Disability is assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Other - 3.5% interest rate credited to the annuity savings fund; 3.0% cost of living increase on the first \$13,000 per year.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

| Asset Class                          | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------------|-------------------|--|
| Global Equity.....                   | 39%               | 5.0%                                   |
| Portfolio Completion Strategies..... | 13%               | 3.7%                                   |
| Core Fixed Income.....               | 12%               | 0.9%                                   |
| Private Equity.....                  | 12%               | 6.6%                                   |
| Value Added Fixed Income.....        | 10%               | 3.8%                                   |
| Real Estate.....                     | 10%               | 3.8%                                   |
| Timber/Natural Resources.....        | 4%                | 3.4%                                   |
| Totals                               | <u>100%</u>       |  |

**Discount rate** - The discount rate used to measure the MTRS' total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension plan fiduciary net position** - Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 COMBINING FIDUCIARY FUND FINANCIAL STATEMENTS**

The Town's Pension Trust Fund and OPEB Trust Fund Statements of Fiduciary Net Position are as follows:

|  | Pension<br>Trust Fund<br>(As of 12/31/18) | OPEB<br>Trust Fund<br>(As of 06/30/19) | Total                 |
|--|---|--|-----------------------|
| <b>ASSETS</b>  |   |  |                       |
| Cash and Cash Equivalents                                | \$ 310,804                                | \$ 273,539                             | \$ 584,343            |
| Investments:   |   |  |                       |
| Equities   | -   | 2,195,744                              | 2,195,744             |
| Fixed Income Mutual Funds                                | -   | 867,617                                | 867,617               |
| External Investment Pool                                 | 117,935,728                               | -                                      | 117,935,728           |
| Receivables, Net of Allowance for Uncollectible Amounts: |   |  |                       |
| Departmental and Other                                   | 80,251                                    | -                                      | 80,251                |
| Total Assets   | <u>118,326,783</u>                        | <u>3,336,900</u>                       | <u>121,663,683</u>    |
| <b>LIABILITIES</b>                                       |   |  |                       |
| Warrants Payable   | <u>7,698</u>                              | <u>-</u>                               | <u>7,698</u>          |
| <b>NET POSITION</b>                                      |   |  |                       |
| Net Position Restricted for Pension and OPEB             | <u>\$ 118,319,085</u>                     | <u>\$ 3,336,900</u>                    | <u>\$ 121,655,985</u> |

The Town's Pension Trust Fund and OPEB Trust Fund Statements of Changes in Fiduciary Net Position are as follows:

|  | Pension<br>Trust Fund<br>(As of 12/31/18) | OPEB<br>Trust Fund<br>(As of 06/30/19) | Total                 |
|--|---|--|-----------------------|
| <b>ADDITIONS</b>   |   |  |                       |
| Contributions:   |   |  |                       |
| Employer   | \$ 4,838,784                              | \$ 7,140,108                           | \$ 11,978,892         |
| Plan Members   | 2,034,000                                 | -                                      | 2,034,000             |
| Total Contributions  | <u>6,872,784</u>                          | <u>7,140,108</u>                       | <u>14,012,892</u>     |
| Net Investment Income:                                       |   |  |                       |
| Net Appreciation/(Depreciation) in Fair Value of Investments | (5,798,539)                               | 87,250                                 | (5,711,289)           |
| Interest   | 2,599,631                                 | 72,133                                 | 2,671,764             |
| Total Investment Income                                      | <u>(3,198,908)</u>                        | <u>159,383</u>                         | <u>(3,039,525)</u>    |
| Less: Investment Expense                                     | <u>(558,092)</u>                          | <u>-</u>                               | <u>(558,092)</u>      |
| Net Investment Income  | <u>(3,757,000)</u>                        | <u>159,383</u>                         | <u>(3,597,617)</u>    |
| Other  | <u>727,471</u>                            | <u>-</u>                               | <u>727,471</u>        |
| Total Additions  | <u>3,843,255</u>                          | <u>7,299,491</u>                       | <u>11,142,746</u>     |
| <b>DEDUCTIONS</b>  |   |  |                       |
| Administration   | 136,000                                   | -                                      | 136,000               |
| Benefits and Refunds   | 8,002,000                                 | 3,962,591                              | 11,964,591            |
| Transfers to Other Systems                                   | 709,068                                   | -                                      | 709,068               |
| Total Deductions   | <u>8,847,068</u>                          | <u>3,962,591</u>                       | <u>12,809,659</u>     |
| <b>CHANGE IN NET POSITION</b>                                | <u>(5,003,813)</u>                        | <u>3,336,900</u>                       | <u>(1,666,913)</u>    |
| Net Position - Beginning of Year                             | <u>123,322,898</u>                        | <u>-</u>                               | <u>123,322,898</u>    |
| <b>NET POSITION - END OF YEAR</b>                            | <u>\$ 118,319,085</u>                     | <u>\$ 3,336,900</u>                    | <u>\$ 121,655,985</u> |

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 COMMITMENTS**

Significant commitments include the encumbrances and continuing appropriations outstanding for the General Fund, which totaled \$3,885,529 at June 30, 2019.

**NOTE 18 CONTINGENCIES**

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2019.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2019, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-GAAP BUDGETARY BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019**

|  | Prior Year<br>Encumbrances<br>and Continuing<br>Appropriations | Original<br>Budget   | Supplemental<br>Appropriations<br>and Transfers | Final<br>Budget     |
|--|--|----------------------|---|---------------------|
| <b>REVENUES</b>  |  |                      |   |                     |
| Real Estate and Personal Property Taxes                      | \$ -   | \$ 91,730,945        | \$ 186,591                                      | \$ 91,917,536       |
| Motor Vehicle and Other Excise Taxes                         | -  | 3,786,590            | (11,590)  | 3,775,000           |
| Tax Liens  | -  | -                    | -   | -                   |
| Payments in Lieu of Taxes                                    | -  | 89,000               | (39,000)  | 50,000              |
| Trash Disposal   | -  | 1,370,000            | 50,000  | 1,420,000           |
| Intergovernmental  | -  | 11,649,787           | (214,624)                                       | 11,435,163          |
| Penalties and Interest on Taxes                              | -  | 270,000              | 30,000  | 300,000             |
| Licenses and Permits   | -  | 1,725,000            | (125,000)                                       | 1,600,000           |
| Fines and Forfeitures  | -  | 33,000               | (2,000)   | 31,000              |
| Departmental and Other                                       | -  | 1,527,000            | (56,000)  | 1,471,000           |
| Investment Income  | -  | 70,000               | -   | 70,000              |
| Total Revenues   | -  | 112,251,322          | (181,623)                                       | 112,069,699         |
| <b>EXPENDITURES</b>  |  |                      |   |                     |
| Current:   |  |                      |   |                     |
| General Government   | 1,509,658  | 7,330,315            | (180,802)                                       | 8,659,171           |
| Public Safety  | 269,770  | 10,147,055           | (100,844)                                       | 10,315,981          |
| Education  | 716,271  | 50,037,806           | 180,057   | 50,934,134          |
| Public Works   | 976,701  | 7,664,196            | 1,612,108                                       | 10,253,005          |
| Health and Human Services                                    | 7,333  | 990,797              | 123,655   | 1,121,785           |
| Culture and Recreation                                       | 30,829   | 1,973,989            | 646,033   | 2,650,851           |
| Pension Benefits   | -  | 4,800,073            | 19,647  | 4,819,720           |
| Employee Benefits  | -  | 12,270,001           | (2,500)   | 12,267,501          |
| Property and Liability Insurance                             | -  | 396,000              | -   | 396,000             |
| State and County Charges                                     | -  | 561,479              | 25,121  | 586,600             |
| Debt Service:  |  |                      |   |                     |
| Principal  | -  | 7,676,566            | (32,000)  | 7,644,566           |
| Interest   | -  | 5,120,650            | 228,532   | 5,349,182           |
| Total Expenditures   | 3,510,562  | 108,968,927          | 2,519,007                                       | 114,998,496         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | (3,510,562)  | 3,282,395            | (2,700,630)                                     | (2,928,797)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |                      |   |                     |
| Transfers In   | -  | 4,860,343            | 2,029,751                                       | 6,890,094           |
| Transfers Out  | -  | (10,499,946)         | (11,954)  | (10,511,900)        |
| Total Other Financing Sources (Uses)                         | -  | (5,639,603)          | 2,017,797                                       | (3,621,806)         |
| <b>NET CHANGE IN FUND BALANCE</b>                            | (3,510,562)  | (2,357,208)          | (682,833)                                       | (6,550,603)         |
| Fund Balance - Beginning of Year                             | 13,419,339   | 13,419,339           | 13,419,339                                      | 13,419,339          |
| <b>FUND BALANCE - END OF YEAR</b>                            | <u>\$ 9,908,777</u>  | <u>\$ 11,062,131</u> | <u>\$ 12,736,506</u>                            | <u>\$ 6,868,736</u> |

See accompanying notes to required supplementary information.

| <u>Actual</u>        | <u>Current Year<br/>Encumbrances<br/>and Continuing<br/>Appropriations</u> | <u>Actual and<br/>Encumbrances<br/>and Continuing<br/>Appropriations</u> | <u>Variance<br/>Positive/<br/>(Negative)</u> |
|----------------------|--|--|--|
| \$ 91,828,884        | \$ -   | \$ 91,828,884  | \$ (88,652)                                  |
| 4,096,506            | -  | 4,096,506  | 321,506                                      |
| 146,576              | -  | 146,576  | 146,576                                      |
| 34,667               | -  | 34,667   | (15,333)                                     |
| 1,480,799            | -  | 1,480,799  | 60,799                                       |
| 11,519,876           | -  | 11,519,876   | 84,713                                       |
| 222,997              | -  | 222,997  | (77,003)                                     |
| 1,524,051            | -  | 1,524,051  | (75,949)                                     |
| 32,327               | -  | 32,327   | 1,327  |
| 2,726,006            | -  | 2,726,006  | 1,255,006                                    |
| 385,325              | -  | 385,325  | 315,325                                      |
| <u>113,998,014</u>   | <u>-</u>   | <u>113,998,014</u>   | <u>1,928,315</u>                             |
| 7,558,084            | 990,801  | 8,548,885  | 110,286                                      |
| 9,624,936            | 106,424  | 9,731,360  | 584,621                                      |
| 49,972,958           | 878,435  | 50,851,393   | 82,741                                       |
| 8,722,424            | 1,248,589  | 9,971,013  | 281,992                                      |
| 1,018,255            | 45,733   | 1,063,988  | 57,797                                       |
| 1,959,053            | 615,547  | 2,574,600  | 76,251                                       |
| 4,819,720            | -  | 4,819,720  | -  |
| 11,949,456           | -  | 11,949,456   | 318,045                                      |
| 388,844              | -  | 388,844  | 7,156  |
| 573,680              | -  | 573,680  | 12,920                                       |
| 7,644,566            | -  | 7,644,566  | -  |
| 5,349,182            | -  | 5,349,182  | -  |
| <u>109,581,158</u>   | <u>3,885,529</u>   | <u>113,466,687</u>   | <u>1,531,809</u>                             |
| 4,416,856            | (3,885,529)  | 531,327  | 3,460,124                                    |
| 6,890,094            | -  | 6,890,094  | -  |
| <u>(10,511,900)</u>  | <u>-</u>   | <u>(10,511,900)</u>  | <u>-</u>                                     |
| <u>(3,621,806)</u>   | <u>-</u>   | <u>(3,621,806)</u>   | <u>-</u>                                     |
| 795,050              | (3,885,529)  | (3,090,479)  | 3,460,124                                    |
| <u>13,419,339</u>    | <u>-</u>   | <u>13,419,339</u>  | <u>-</u>                                     |
| <u>\$ 14,214,389</u> | <u>\$ (3,885,529)</u>  | <u>\$ 10,328,860</u>   | <u>\$ 3,460,124</u>                          |

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULES**

**SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND  
RELATED RATIOS\***

|   | 2019           | 2018          |
|---|----------------|---------------|
| <u>Total OPEB liability</u>   |                |               |
| Service cost  | \$ 4,225,561   | \$ 3,384,223  |
| Interest  | 3,340,032      | 3,184,347     |
| Changes in Benefit Terms  | 22,779,680     | -             |
| Differences between expected and actual experience                      | 3,438,391      | -             |
| Changes of assumptions  | 12,069,052     | -             |
| Benefit payments  | (3,962,591)    | (2,566,904)   |
| Net change in total OPEB liability                                      | 41,890,125     | 4,001,666     |
| Total OPEB liability - beginning  | 86,805,009     | 82,803,343    |
| Total OPEB liability - ending (a)                                       | \$ 128,695,134 | \$ 86,805,009 |
| <u>Plan fiduciary net position</u>                                      |                |               |
| Contributions - employer  | \$ 7,140,108   | \$ -          |
| Net investment income   | 159,383        | -             |
| Benefit payments  | (3,962,591)    | -             |
| Net change in plan fiduciary net position                               | 3,336,900      | -             |
| Plan fiduciary net position - beginning                                 | -              | -             |
| Plan fiduciary net position - ending (b)                                | \$ 3,336,900   | \$ -          |
| Net OPEB liability - ending (a) - (b)                                   | \$ 125,358,234 | \$ 86,805,009 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.59%          | 0.00%         |
| Covered payroll   | 64,485,794     | 61,331,430    |
| Net OPEB liability as a percentage of covered payroll                   | 194.40%        | 141.53%       |

\* Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULES**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (OPEB PLAN)\***

|  | 2019          |
|--|---------------|
| Actuarially determined contribution                                  | \$ 11,196,214 |
| Contributions in relation to the actuarially determined contribution | (7,140,108)   |
| Contribution deficiency (excess)                                     | \$ 4,056,106  |
| Covered payroll  | \$ 64,485,794 |
| Contributions as a percentage of covered payroll                     | 11.07%        |

**SCHEDULE OF INVESTMENT RETURNS (OPEB PLAN)\***

|   | 2019  |
|---|-------|
| Annual money-weighted rate of return, net of investment expense | 5.48% |

\* Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND  
RELATED RATIOS (SYSTEM)\***

|  | December 31           |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 2018                  | 2017                  | 2016                  | 2015                  | 2014                  |
| <u>Total pension liability</u>   |                       |                       |                       |                       |                       |
| Service cost   | \$ 3,370,000          | \$ 3,225,000          | \$ 2,999,000          | \$ 2,870,000          | \$ 2,625,000          |
| Interest   | 10,235,000            | 9,706,000             | 9,664,000             | 8,883,000             | 9,100,000             |
| Changes in Benefit Terms   | 1,500,000             | -                     | -                     | -                     | -                     |
| Differences between expected and actual experience                         | (1,868,000)           | (1,166,000)           | -                     | (3,441,000)           | -                     |
| Changes of assumptions   | 1,800,000             | 3,460,000             | -                     | 9,600,000             | -                     |
| Benefit payments, including refunds of member contributions                | (8,002,000)           | (7,632,000)           | (7,419,000)           | (7,101,000)           | (6,639,000)           |
| Net change in total pension liability                                      | 7,035,000             | 7,593,000             | 5,244,000             | 10,811,000            | 5,086,000             |
| Total pension liability - beginning  | 146,846,000           | 139,253,000           | 134,009,000           | 123,198,000           | 118,112,000           |
| Total pension liability - ending (a)                                       | <u>\$ 153,881,000</u> | <u>\$ 146,846,000</u> | <u>\$ 139,253,000</u> | <u>\$ 134,009,000</u> | <u>\$ 123,198,000</u> |
| <u>Plan fiduciary net position</u>   |                       |                       |                       |                       |                       |
| Contributions - employer   | \$ 4,838,784          | \$ 4,515,896          | \$ 4,299,134          | \$ 4,055,526          | \$ 3,906,569          |
| Contributions - member   | 2,034,000             | 2,082,000             | 2,177,000             | 2,084,000             | 1,822,431             |
| Net investment income  | (3,757,000)           | 16,484,000            | 6,989,000             | (548,000)             | 7,702,031             |
| Benefit payments, including refunds of member contributions                | (8,002,000)           | (7,632,000)           | (7,419,000)           | (7,101,000)           | (6,639,000)           |
| Administrative expense   | (136,000)             | (128,000)             | (122,000)             | (148,000)             | (67,923)              |
| Other  | 18,403                | 1,356                 | 38,247                | 371                   | (248,544)             |
| Net change in plan fiduciary net position                                  | (5,003,813)           | 15,323,252            | 5,962,381             | (1,657,103)           | 6,475,564             |
| Plan fiduciary net position - beginning                                    | 123,322,898           | 107,999,646           | 102,037,265           | 103,694,368           | 97,218,804            |
| Plan fiduciary net position - ending (b)                                   | <u>\$ 118,319,085</u> | <u>\$ 123,322,898</u> | <u>\$ 107,999,646</u> | <u>\$ 102,037,265</u> | <u>\$ 103,694,368</u> |
| Net pension liability - ending (a) - (b)                                   | <u>\$ 35,561,915</u>  | <u>\$ 23,523,102</u>  | <u>\$ 31,253,354</u>  | <u>\$ 31,971,735</u>  | <u>\$ 19,503,632</u>  |
| Plan fiduciary net position as a percentage of the total pension liability | 76.89%                | 83.98%                | 77.56%                | 76.14%                | 84.17%                |
| Covered payroll  | 20,897,000            | 19,744,000            | 18,547,000            | 18,547,000            | 17,971,254            |
| Net pension liability as a percentage of covered payroll                   | 170.18%               | 119.14%               | 168.51%               | 172.38%               | 108.53%               |

\* Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)**

|  | Year Ended December 31, |                  |                  |                  |                  |
|--|-------------------------|------------------|------------------|------------------|------------------|
|  | 2018                    | 2017             | 2016             | 2015             | 2014             |
| Actuarially determined contribution                                  | \$ 4,838,784            | \$ 4,515,896     | \$ 4,299,134     | \$ 4,055,526     | \$ 3,923,441     |
| Contributions in relation to the actuarially determined contribution | <u>4,838,784</u>        | <u>4,515,896</u> | <u>4,299,134</u> | <u>4,055,526</u> | <u>3,923,441</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered-employee payroll   | \$ 20,897,000           | \$ 19,744,000    | \$ 18,547,000    | \$ 18,547,000    | \$ 17,971,254    |
| Contributions as a percentage of covered-employee payroll            | 23.16%                  | 22.87%           | 23.18%           | 21.87%           | 21.83%           |

(continued)

|  | Year Ended December 31, |                  |                  |                  |                  |
|--|-------------------------|------------------|------------------|------------------|------------------|
|  | 2013                    | 2012             | 2011             | 2010             | 2009             |
| Actuarially determined contribution                                  | \$ 3,845,592            | \$ 3,777,163     | \$ 3,623,792     | \$ 3,515,362     | \$ 3,323,793     |
| Contributions in relation to the actuarially determined contribution | <u>3,845,592</u>        | <u>3,777,163</u> | <u>3,623,792</u> | <u>3,515,362</u> | <u>3,323,793</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered-employee payroll   | \$ 17,971,254           | \$ 17,195,132    | \$ 17,195,132    | \$ 16,879,293    | \$ 16,879,293    |
| Contributions as a percentage of covered-employee payroll            | 21.40%                  | 21.97%           | 21.07%           | 20.83%           | 19.69%           |

(concluded)

**SCHEDULE OF INVESTMENT RETURNS (SYSTEM)\***

|   | Year Ended December 31, |        |       |        |       |
|---|-------------------------|--------|-------|--------|-------|
|   | 2018                    | 2017   | 2016  | 2015   | 2014  |
| Annual money-weighted rate of return, net of investment expense | -3.07%                  | 15.36% | 6.89% | -0.53% | 7.98% |

\* Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (SYSTEM)\***

|   | <u>2018 (1)</u> | <u>2017 (1)</u> | <u>2016 (1)</u> | <u>2015 (1)</u> | <u>2014 (1)</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Town's proportion of the net pension liability  | 99.20%          | 99.04%          | 99.11%          | 99.12%          | 99.14%          |
| Town's proportionate share of the net pension liability   | \$ 35,277,420   | \$ 23,297,279   | \$ 30,975,199   | \$ 31,690,384   | \$ 19,335,901   |
| Town's covered payroll  | \$ 20,729,824   | \$ 19,554,331   | \$ 18,383,786   | \$ 18,383,786   | \$ 17,816,701   |
| Town's proportionate share of the net pension liability<br>as a percentage of its covered payroll | 170.18%         | 119.14%         | 168.49%         | 172.38%         | 108.53%         |
| Plan fiduciary net position as a percentage of the<br>total pension liability                     | 76.89%          | 83.98%          | 77.56%          | 76.14%          | 84.17%          |

**SCHEDULE OF TOWN'S CONTRIBUTIONS (SYSTEM)\***

|   | <u>2018 (1)</u>  | <u>2017 (1)</u>  | <u>2016 (1)</u>  | <u>2015 (1)</u>  | <u>2014 (1)</u>  |
|---|------------------|------------------|------------------|------------------|------------------|
| Actuarially Required Contribution                                     | \$ 4,800,074     | \$ 4,472,543     | \$ 4,261,038     | \$ 4,019,991     | \$ 3,889,699     |
| Contributions in Relation to the<br>Actuarially Required Contribution | <u>4,800,074</u> | <u>4,472,543</u> | <u>4,261,038</u> | <u>4,019,991</u> | <u>3,889,699</u> |
| Contribution Deficiency (Excess)                                      | <u>\$ -</u>      |
| Town's Covered Payroll  | \$ 20,729,824    | \$ 19,554,331    | \$ 18,383,786    | \$ 18,383,786    | \$ 17,816,701    |
| Contributions as a Percentage of<br>Covered Payroll                   | 23.16%           | 22.87%           | 23.18%           | 21.87%           | 21.83%           |

\* Data is being accumulated annually to present 10 years of the reported information.

(1) The amounts presented were determined as of December 31 within the applicable fiscal year.

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (MTRS)\***

|  | <u>2019 (1)</u>       | <u>2018 (1)</u>       | <u>2017 (1)</u>       | <u>2016 (1)</u>       | <u>2015 (1)</u>      |
|--|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| Town's proportion of the net pension liability   | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                |
| Town's proportionate share of the net pension liability  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                 |
| Commonwealth's proportionate share of the net pension liability associated with the Town       | <u>122,941,324</u>    | <u>116,744,096</u>    | <u>113,116,935</u>    | <u>101,190,658</u>    | <u>78,050,395</u>    |
| Total  | <u>\$ 122,941,324</u> | <u>\$ 116,744,096</u> | <u>\$ 113,116,935</u> | <u>\$ 101,190,658</u> | <u>\$ 78,050,395</u> |
| Town's covered payroll   | \$ 36,413,069         | \$ 34,639,875         | \$ 33,554,263         | \$ 31,305,359         | \$ 30,105,390        |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | N/A                   | N/A                   | N/A                   | N/A                   | N/A                  |
| Plan fiduciary net position as a percentage of the total pension liability                     | 54.84%                | 54.25%                | 52.73%                | 55.38%                | 61.64%               |

**SCHEDULE OF TOWN'S CONTRIBUTIONS (MTRS)\***

|  | <u>2019 (1)</u> | <u>2018 (1)</u> | <u>2017 (1)</u> | <u>2016 (1)</u> | <u>2015 (1)</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            |
| Contributions in relation to the contractually required contribution | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     |
| Town's covered payroll   | \$ 36,413,069   | \$ 34,639,875   | \$ 33,554,263   | \$ 31,305,359   | \$ 30,105,390   |
| Contributions as a percentage of covered payroll                     | N/A             | N/A             | N/A             | N/A             | N/A             |

\* Data is being accumulated annually to present 10 years of the reported information.

(1) The amounts presented were determined as of June 30 of the previous year.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**NOTE A BUDGETARY-GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2019, is presented below:

|  | Revenues       | Expenditures   | Other<br>Financing<br>Sources<br>(Uses) | Fund<br>Balance |
|--|----------------|----------------|---|-----------------|
| Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual..... | \$ 113,998,014 | \$ 113,466,687 | \$ (3,621,806)                          | \$ 10,328,860   |
| <u>Reclassifications</u>   |                |                |   |                 |
| Activity of stabilization funds recorded in the general fund for GAAP purposes.....  | 280,646        | -              | (30,527)                                | 9,438,508       |
| Contributions to OPEB trust fund.....  | -              | 3,177,517      | 200,000                                 | -               |
| Employee benefits to enterprise funds.....   | -              | (655,636)      | (655,636)                               | -               |
| <u>Adjustments</u>   |                |                |   |                 |
| 60-day receipts/other revenue adjustments.....   | (2,779)        | -              | -                                       | 242,993         |
| Tax refunds payable.....   | (19,515)       | -              | -                                       | (59,515)        |
| Workers' compensation payable.....   | -              | (49,814)       | -                                       | (123,291)       |
| MTRS on-behalf.....  | 12,458,323     | 12,458,323     | -                                       | -               |
| Encumbrances and continuing appropriations.....  | -              | (3,885,529)    | -                                       | 3,885,529       |
| GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances....                         | \$ 126,714,689 | \$ 124,511,548 | \$ (4,107,969)                          | \$ 23,713,084   |

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

